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IN THE

Supreme Court of the United States

OCTOBER TERM, 1996

RMC INTERNATIONAL, LTD., a corporation,
MICHAEL RESMO, an individual,
JOSEPH MALAGA, an individual,
Petitioners,

vs.

SENGOKU WORKS, LTD., a corporation,
Respondent.

PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

PETITION FOR WRIT OF CERTIORARI

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100 pp

QUESTIONS PRESENTED

1. Whether granting trademark rights under Section 43(a) of the Lanham Act in a product shape that was in the public domain violates Article I, § 8, cl. 8 of the Constitution.

2. Whether product shape trademark rights can be created in the overall appearance of a predominately functional mechanical device by adding nonfunctional graphics to the device and, if so, can the functional features be considered when deciding secondary meaning and likelihood of confusion.

3. Whether it is proper to instruct a jury that a foreign manufacturer of a product is the presumed owner of a trademark in cases where the distributor has a federal registration of the mark and is entitled to the presumption of ownership under the Lanham Act, Title 15 U.S.C. §§ 1057(b) and 1115(a).

LIST OF PARTIES TO PROCEEDING AND STATEMENT PURSUANT TO RULE 29.6

The parties to this proceeding are Petitioners, RMC International, Ltd., a Colorado corporation, Michael Resmo, an individual, and Joseph Malaga, an individual, appellants below. The Respondent is Sengoku Works, Ltd., a Japanese corporation, appellee below.

RMC has no parent companies and has no nonwholly owned subsidiaries.

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PETITION FOR WRIT OF CERTIORARI

Petitioners, RMC INTERNATIONAL, LTD., MICHAEL RESMO, and JOSEPH MALAGA, (hereinafter referred to jointly as "RMC"), petition this Court for a writ of certiorari to review the judgment of the United States Court of Appeals for the Ninth Circuit in this case.

OPINIONS BELOW

The unpublished opinion of the Ninth Circuit is reprinted herein as Appendix A. The published opinion of the Ninth Circuit is reported at 96 F.3d 1217 (9th Cir. 1996) and is reprinted herein as Appendix B.

JURISDICTION

The Ninth Circuit entered judgment on September 20, 1996. RMC filed a petition for rehearing which was denied on November 13, 1996. (Appendix D herein). The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1). The basis for federal jurisdiction in the court of first instance was 28 U.S.C. § 1331; 28 U.S.C. § 1367; and 15 U.S.C. § 1121.

CONSTITUTIONAL PROVISIONS INVOLVED

Article I, § 8, cl. 8 of the United States Constitution

The Congress shall have the power:
To promote the progress of science and the useful arts by securing for limited times to

authors and inventors the exclusive right to their respective writings and discoveries.

FEDERAL STATUTES INVOLVED

This case involves the following statutory provisions, which are fully quoted in Appendix F herein.

15 U.S.C. § 1125(a) (Lanham Act, Section 43 (a))
15 U.S.C. § 1057(b)
15 U.S.C. § 1115(a)

STATEMENT OF THE CASE

The law relating to federal trademark protection for the shape of a product remains one of the most important areas of federal intellectual property law that this Court has not addressed.[1] This Court's recent decision in *Qualitex Co. v. Jacobson Products Co.*, Inc., __U.S.__, 115 S.Ct. 1300, 131 L.Ed.2d 248 (1995), dealt with trademark protection for color, not product shapes. This Court's decision in *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 112 S.Ct. 2753, 120 L.Ed.2d 615 (1992) dealt with the appearance of a restaurant, as opposed to an article of manufacture such as a kerosene heater. Protecting product shapes as trademarks can prevent the use of the product itself, and therefore, product shape trademarks are distinguishable from all other types of trademarks.

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[1]*See Kohler Co. v. Moen Inc.*, 12 F.3d 632, 644 (7th Cir. 1993) (Cudahy, J., dissent) ("This [product shape protection] is a crucially important issue for the maintenance of a free and competitive economy.")

The petitioners ask this Court to address whether federal trademark protection under Section 43(a) of the Lanham Act is available for the overall shape of a portable kerosene heater which consists of a combination of functional features that were used in the same combination by others prior to Sengoku, and whether the functional features can be relied on to establish secondary meaning and a likelihood of confusion. The petitioners also ask this Court to address whether the statutory presumption of trademark ownership granted to owners of federally registered trademarks under Lanham Act §§ 1057(b) and 1115(a) should be given as a jury instruction in a dispute regarding the ownership of a federally registered trademark or whether it is proper to instruct the jury that the foreign manufacturer is the presumed owner.

I. Background

RMC is an importer of a variety of consumer products including the portable kerosene heaters at issue in this case. RMC purchased its heaters exclusively from Sengoku from 1985 through 1993. The Sengoku manufactured heater at issue, as shown in Figure 1, is a portable radiant kerosene heater with a removable cartridge fuel tank.

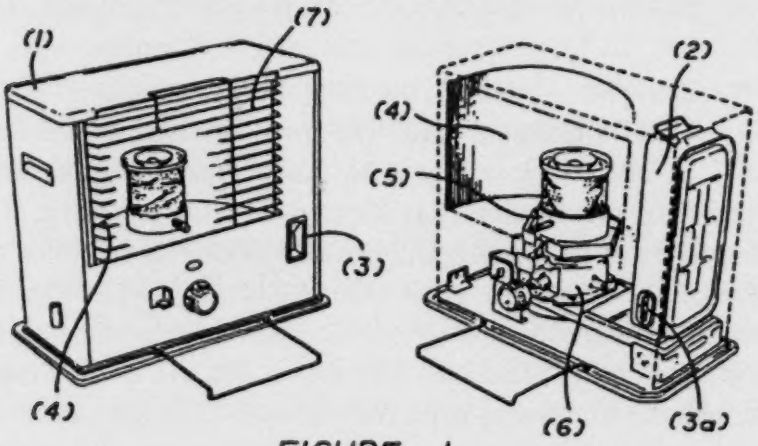

FIGURE 1

The Sengoku manufactured heater has a rectangular external casing (1). (App. G1). The removable fuel tank (2) stands upright inside the right hand side of the heater. The heater has a fuel gauge opening (3) on the right hand side of the heater. The fuel gauge opening is aligned with the fuel gauge (3a) attached to the fuel tank. To accommodate the fuel tank on the right hand side, the burner chamber (4) is shifted to the left. The external casing encases the fuel tank, burner chamber, burner (5) and the mechanism that operates the burner (6). The heater has a protective grill (7) which extends across the front of the burner chamber.

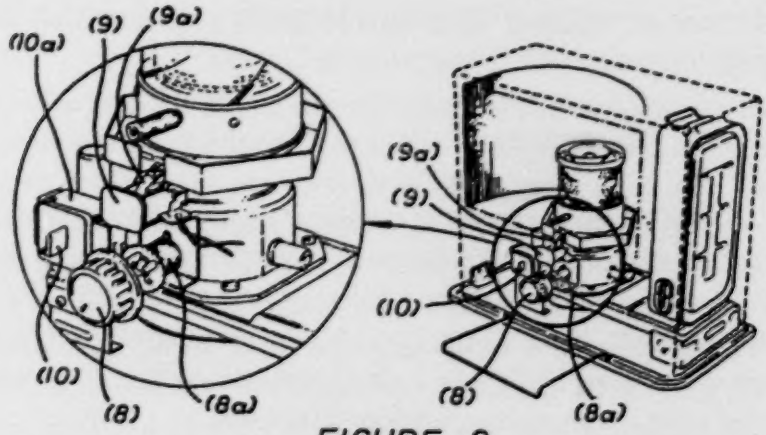

FIGURE 2

As shown in Figure 2, the Sengoku manufactured heater has a wick adjustment knob (8) in the center of the front panel. The wick adjustment knob operates the wick adjustment mechanism (8a) located directly behind it. The heater has a push button ignition switch (9) in the center of the front panel above the wick adjustment knob. The ignition button is attached directly to the ignition mechanism (9a) located directly behind it and above the wick adjustment mechanism. The heater has a shut off lever (10) located to the

left of the wick adjustment knob. The shut off lever operates the shut off mechanism (10a) located directly behind it.

Sengoku conceded at trial that the shape it was claiming was its trademark was once in the public domain, but contended that it had removed the shape from the public domain as its exclusive trademark. (App. H9-H10). The uncontroverted evidence at trial established that heaters having the same functional features, combined in the same way, were manufactured and sold by other manufacturers prior to Sengoku manufacturing and selling its first heater having the shape at issue. (App. G4, G5, and G6). These other manufacturers included Fukushin Electric Co., Ltd., Sanyo, and Turco. The Sanyo heater, for example, was sold in the United States from 1980 to 1987/88. The Sengoku manufactured heater with the shape at issue was first shipped into the United States in 1986. Thus, the Sengoku and Sanyo heaters were sold concurrently in the United States for at least two years, with Sanyo using the same design for at least six years before Sengoku.

Sengoku admitted that the shape of the heater at issue consists of a combination of functional components. (App. A8). Sengoku's witness also testified that the switches were in their respective positions because they operated the mechanisms they were attached to and their placement made the most sense from a manufacturing efficiency point of view. (App. H6-H8).

The Sengoku manufactured heaters that RMC sold were painted tan and had a large blue stripe across the front panel. (App. G1). The heaters bore RMC's federally registered trademark *KeroHeat*. The agreement between the parties provided that the heaters were "RMC's models," that the heaters were being made to "RMC's specifications," and that

Sengoku "could not change the design without prior written consent from RMC." Over the years Sengoku had acknowledged several times in writing, including a verified interrogatory response, that *KeroHeat* was RMC's trademark. (App. I1-I2). RMC was the only company identified by name on the packaging and enclosed instruction manual and RMC handled all consumer inquiries and warranty work.

When Sengoku's quality began to fail, RMC made arrangements to purchase heaters from another manufacturer, Wooshin. The Wooshin heaters had the same mechanical features, however, RMC changed the paint and graphics. The side and back panels on the Wooshin heater were painted white and the front panel was painted blue with a large white stripe. (App. G2). When Sengoku learned of the RMC-Wooshin relationship, Sengoku filed its complaint in this action alleging various causes of action, including a cause of action for product shape trademark infringement and a claim for cancellation of RMC's federal trademark registration for *KeroHeat*, the two claims relevant here.

II. Proceedings Below

Sengoku served its complaint in June 1994 along with a motion for a preliminary injunction. The complaint and preliminary injunction papers defined the product shape trademark as consisting of: "[T]he overall shape of the product, positioning of the instrumentation, lettering, model number designations, pattern of the graphic design, and color combination." The District Court granted Sengoku's motion, enjoined RMC from selling any kerosene heater which was "confusingly similar" to the overall appearance of the Sengoku manufactured heater, and enjoined RMC from using its *KeroHeat* trademark. (App. E1-E2). RMC appealed to the Ninth Circuit on the grounds that there had not been a

sufficient showing of a likelihood of success on the merits and that the injunction was impermissibly vague. The Ninth Circuit denied RMC's appeal, holding that the injunction was not an abuse of discretion. (App. E3-E4).

After the District Court announced its decision to issue the preliminary injunction, RMC immediately began to redesign the Wooshin manufactured heater. RMC changed the color of the Wooshin manufactured heater to all white. (App. G3). RMC changed the shape of the shut off switch and ignition button. RMC changed its trademark from *KeroHeat* to *Dyna-Glo* and moved the placement of the trademark to the opposite side of the front panel. RMC used a different style typeface for its *Dyna-Glo* trademark and rearranged the warning labels.

After RMC changed the appearance of its heaters, Sengoku changed the definition of its trademark and moved to have RMC found in contempt. Sengoku abandoned color and graphics and the shape of the switches as a part of its trademark, arguing that they were "of little significance." Sengoku represented in its moving papers: "From the very beginning, this case involved protection of the overall design of the heater itself; not color. Regardless of the color, the overall shape and design of the heaters remain confusingly similar."

At the contempt hearing Sengoku argued that its product shape trademark consisted of a rectangular heater with the heater cavity offset in the upper left-hand corner with the wick adjustment knob in the middle of the front panel, the ignition button above the wick adjustment knob and the shut

off lever to the left of the wick adjustment knob. (App. H2-H3).[2]

Though the District Court stated that it had no doubt that RMC had attempted in good faith to comply with the injunction (App. H3-H4), the District Court found RMC's *Dyna-Glo* heaters in contempt of the preliminary injunction on the ground that the changes were not sufficient to avoid a likelihood of confusion and ordered a recall of all of RMC's *Dyna-Glo* heaters. (App. E5-E8). RMC appealed the contempt order to the Ninth Circuit. The Ninth Circuit dismissed the appeal on the ground that it was not ripe. (App. E9). Sengoku stayed with the broad definition of its trademark used during the contempt hearing in its interrogatory responses, its opposition to RMC's pre-trial motion for summary judgment and throughout trial. (App. J2, K2). According to Sengoku the rectangular shape of the heater with the burn chamber offset to the left was the "dominant" feature of its trademark. (App. K2).

The case was tried to a jury. The District Court instructed the jury that it could infer secondary meaning from copying. Although the District Court mentioned that a valid trademark registration was a factor that the jury could consider on the issue of trademark ownership, the District Court instructed the jury that: "the law presumes that the foreign manufacturer is the owner or [sic] the trademark and/or trade dress unless there is an agreement to the

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[2]This was a very important event during the proceedings below. The District Court had given a tentative finding at the beginning of the contempt hearing that RMC's *Dyna-Glo* heaters were not in contempt. (App. H1-H2). Sengoku emphasized the new definition of its product shape trademark to persuade the District Court to find RMC in contempt.

contrary." (App. M). The jury returned a verdict in favor of Sengoku on the product shape trademark and *KeroHeat* ownership claims. The jury also found RMC's trademark infringement willful. The District Court denied RMC's post trial motions and entered judgment for Sengoku awarding $470,588 for trademark damages and $270,975 in attorneys fees, and entered a permanent injunction prohibiting the sale of a "confusingly similar heater." (App. C1-C2).

RMC appealed both the product shape and *KeroHeat* trademark claims to the Ninth Circuit. Once on appeal, Sengoku again changed its position on what constituted Sengoku's product shape trademark. In its appeal brief, Sengoku retreated back to arguing that color was a part of its trademark. (App. L1-L2). On September 20, 1996 the Ninth Circuit issued two decisions. In an unpublished decision, the Court held that the shape of the heaters at issue, the partial grill and removable cartridge tank on the right were functional and not entitled to trademark protection:

> [u]pon comparing all the various heater designs depicted in the record, we conclude that there is a limited number of basic configurations . . . awarding trade dress protection for Sengoku's basic design -- a rectangular heater, with a partial grill and the removable cartridge tank on the right -- could seriously impede competition.

(App. A8-A9). The Ninth Circuit's holding should have resulted in a verdict for RMC in view of Sengoku's position of what constituted its trademark at the contempt hearing, in its interrogatory answer, summary judgment and at trial. The Ninth Circuit found the "dominant" feature of Sengoku's trademark functional. The Ninth Circuit, however, relied on Sengoku's complaint and held Sengoku was claiming more

than the shape of the heater and partial grill and placement of the cartridge tank as its trade dress:

> Nevertheless, Sengoku has not claimed protection of merely its basic design, but has instead defined in detail the combination and arrangement of features it seeks to protect. Sengoku seeks to protect every aspect of its trade dress, including the arrangement and color of the knobs, switches and controls, the shape and color of the heater and each of its components, and the look and configuration of the labeling.[3]

(App. A9). The Ninth Circuit relied on features that it found were functional to establish secondary meaning (App. A5-A6) and a likelihood of confusion (App. A7). In a published decision, the Ninth Circuit affirmed the District Court's trademark ownership instruction. (App. B).

REASONS FOR GRANTING THE PETITION

I. Removing Product Shapes From the Public Domain as Trademarks Violates Article I, § 8, cl. 8 of the Constitution

The decision of the Ninth Circuit to grant trademark rights under the Lanham Act to a product shape that was in

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[3]RMC petitioned for rehearing on the ground that the Ninth Circuit's used a different definition of Sengoku's product shape trademark on appeal than was used during trial and that this was improper. *Singleton v. Wulff*, 428 U.S. 106, 120, 96 S.Ct. 2868, 2877, 49 L.Ed.2d 826 (1976); *Hormel v. Helvering*, 312 U.S. 552, 556, 61 S.Ct. 719, 721, 85 L.Ed. 1037 (1941). The Ninth Circuit denied RMC's petition for rehearing without explantion. (App. D).

the public domain conflicts with Art. I, § 8, cl. 8, of the Constitution, the patent laws and the precedents of this Court. In the *Sears* and *Compco* decisions, this Court held that state unfair competition law could not forbid copying of a product's shape because to do so "would interfere with the federal policy, found in Art. I, § 8, cl. 8, of the Constitution and in the implementing federal statutes, of allowing free access to copy whatever the federal patent and copyright laws leave in the public domain." *Compco Corp. v. Day-Bright Lighting*, 376 U.S. 234, 237, 84 S.Ct. 779, 789, 11 L.Ed.2d 669 (1964); *Sears, Roebuck & Co. v. Stiffel*, 376 U.S. 225, 231, 84 S.Ct. 784, 789, 11 L.Ed.2d 661 (1964) ("An unpatented article, like an article on which the patent has expired, is in the public domain and may be made and sold by whoever chooses to do so."); *see also, Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 156, 109 S.Ct. 971, 980, 103 L.Ed.2d 118 (1989) ("[W]e have consistently reiterated the teaching of *Sears* and *Compco* that ideas once placed before the public without the protection of a valid patent are subject to appropriation without significant restraint.") Granting trademark protection for the shape of a product that was in the public domain under the Lanham Act gives rise to the very same conflicts with the Constitution and patent laws as does protecting product shapes under state unfair competition law.

The right to copy that which is in the public domain is found in Art. I, § 8, cl. 8, of the Constitution. Art. I, § 8, cl. 8 of the Constitution is "a limitation" on Congress' power which prohibits Congress from passing laws that remove information from the public domain, or restricts free access to materials already available. *Graham v. John Deere Co.*, 383 U.S. 1, 6, 86 S.Ct. 684, 687, 15 L.Ed.2d 545 (1966):

> The Congress in the exercise of the patent power may not overreach the restraints imposed by the

> stated constitutional purpose. Nor may it enlarge the patent monopoly without regard to the innovation, advancement or social benefit gained thereby. Moreover, Congress may not authorize the issuance of patents whose effects are to remove existent knowledge from the public domain, or to restrict free access to materials already available. Innovation, advancement, and things that add to the sum of useful knowledge are inherent requisites in a patent system which by constitutional command must 'promote the Progress of *** useful Arts.' This is the *standard* expressed in the Constitution and it may not be ignored.

Granting trademark protection to a public domain product's shape removes existent knowledge from the public domain and restricts free access to materials already available, without providing any innovation, advancement, social benefit, or progress of science and the useful arts. This is the very same conflict with the Constitution and patent laws that this Court held were intolerable in *Sears* and *Compco*.[4]

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[4]It was once "well-settled that shapes of products in the public domain may be freely copied." *Duraco Products, Inc. v. Joy Plastic Enterprises, Ltd.*, 40 F.3d 1431, 1438 (3d Cir. 1994); *American Greetings Corp. v. Dan-Dee Imports, Inc.*, 807 F.2d 1136, 1140 (3d Cir. 1986); *and see* Hopkins, *The Law of Trademarks, Trade Names and Unfair Competition*, §47 (2d ed. 1905) ("It is obvious that if a commercial article itself could constitute a trademark, there would be little use for patent laws."); *Schwinn Bicycle Co. v. Ross Bicycles, Inc.*, 870 F.2d 1176, 1190 (7th Cir. 1989); *Wallace International Silversmiths, Inc. v. Godinger Silver Art Co., Inc.*, 916 F.2d 76, 81 (2d Cir.), *cert. denied*, 499 U.S. 976, 111 S.Ct. 1622, 113 L.Ed.2d 720 (1990).

Product shape trademark protection under the Lanham Act offers the broadest potential protection of any federal intellectual property right while having the lowest possible standard to establish those rights and providing the least notice to the public that any such rights exist. While a patent requires a genuine "invention" or "discovery," *Sears*, 376 U.S. 229-32, a product's shape need not be new, novel, nonobvious or original to qualify for trademark protection under the Lanham Act. While the patent laws require inventorship, the alleged owner of a product shape trademark need not be the inventor of the design. While patents have a limited term, a product shape trademark under the Lanham Act can last forever. While the patent laws also provide that unpatented products may be freely copied, *Sears*, 376 U.S. at 229-32; *Compco*, 376 U.S. at 237, the courts will infer both secondary meaning and a likelihood of confusion from copying in trademark cases. (App. A6-A7).

While patents are strictly construed when enforced, *Sears*, 376 U.S. at 229-32, the injunction in this case vaguely enjoined RMC from making a "confusingly similar" design without defining the product shape trademark. (See, e.g., App. E2). While patents must contain claims which set forth the invention with particularity so the public will know the scope of the rights conferred, under Section 43(a) a product shape trademark need not be registered and therefore the public may have no idea of any claim of trademark rights or their scope. *See Vornado Air Circulation Systems, Inc. v. Duracraft Corp.*, 58 F.3d 1498, 1508 (10th Cir. 1995), *cert. denied*, ___ U.S. ___, 116 S.Ct. 753, 133 L.Ed.2d 700 (1996), *quoting, Bonito Boats* ("[the] federal patent scheme allows public to ascertain status of intellectual property embodied in a manufacture or design, and '[t]he public may rely on the lack of notice in exploiting shapes and designs accessible to all'.")

Thus, the same impermissible encroachment on the federal patent system addressed in *Sears* and *Compco* arises when the Lanham Act is interpreted to give protection to product shapes. *See also, Bonito Boats, supra*, 489 U.S. at 156:

> At the heart of *Sears* and *Compco* is the conclusion that the efficient operation of the federal patent system depends upon substantially free trade in publicly known, unpatented design and utilitarian conceptions. . . . Both the novelty and the non-obviousness requirements of federal patent law are grounded in the notion that concepts within the public grasp, or those so obvious that they readily could be, are the tools of creation available to all. . . . Moreover, through the creation of patent-like rights, the States could eventually redirect inventive efforts away from the careful criteria of patentability developed by Congress over the last 200 years.

Congress cannot enact trademark laws which violate the Constitutional purpose of Art. I, § 8, cl. 8. *See Railway Labor Executives Ass'n. v. Gibbons*, 455 U.S. 457, 468-9, 102 S.Ct. 1169, 1176, 71 L.Ed.2d 335 (1982) (Congress could not enact bankruptcy laws under the Commerce Clause which conflicted with the limitations on Congress' power under the Bankruptcy Clause of the Constitution.) Further, the Courts cannot interpret Section 43(a) of the Lanham Act as providing for the protection of product shapes that are in the public domain without violating Art. I, § 8, cl. 8, of the Constitution. *See Feist Publications v. Rural Telephone Service Co., Inc.*, 499 U.S. 340, 111 S.Ct. 1282, 113 L.Ed.2d 358 (1991) (Circuit Court's interpretation of the Copyright Act to give protection to works lacking in "originality"

violated Art. I, § 8, cl. 8). *Cf. Vornado, supra,* 58 F.3d at 1507-10 (Holding that Lanham Act cannot be intrepreted to give trademark protection to patented component of a product because to do so would conflict with the patent laws.); *see also,* Gleiberman, *From Fast Cars to Fast Food: Overbroad Protection of Product Trade Dress Under Section 43(a) of the Lanham Act,* 45 Stan. L. Rev. 2037, 2061 (1993). As Judge Cudahy stated in his dissent in *Kohler,* 12 F.3d at 651:

> If the issue before us is a conflict between a well-defined statutory scheme (the design patent laws) enacted under a specific and limited constitutional directive (the Patent Clause) and a judicial doctrine (protection of product configurations as trademarks) only remotely incident to a general statutory scheme (the Lanham Act), the specific, constitutionally-mandated provisions should control. *See Morton v. Mancari,* 417 U.S. 535, 550-1, 41 L.Ed.2d 290, 94 S.Ct. 2474, 2482-83 (1974).

To allow Congress by use of its law of unfair competition to prevent the copying of an article which represents too slight an advance to be patented would be to permit Congress to block off from the public something which the Constitution has said belongs to the public. The result would be that, while patent law grants a limited term of protection to genuine inventions, Congress under the Lanham Act (or the Courts by interpreting the Lanham Act) could impermissibly allow perpetual protection to articles too lacking in novelty to merit any patent at all under federal constitutional standards. *See, e.g., Sears,* 376 U.S. 229-32. Thus, there is a clear conflict, on one hand, between the Constitution, the precedents of this Court, and the patent laws, which recognize a right to copy that which is in the

public domain, and, on the other hand, the interpretations of the Lanham Act by the Circuit Courts, which protect public domain product shapes and thereby prohibit the very right to copy the Constitution preserves. *See* Gleiberman, *supra*, 45 Stan. L. Rev. at 2061.

The Circuit Courts have attempted to resolve this conflict by arguing: (1) *Sears* and *Compco* related to federal preemption of state law and are therefore not relevant to federal trademark protection; (2) trademark protection is intended to prevent confusion; and (3) product shape protection requires proof of secondary meaning. *See Vornado, supra*, 58 F.3d at 1505 ("[W]e must acknowledge that distinguishing *Sears*, *Compco*, and/or *Bonito Boats* has become a veritable jurisprudential art form in recent years, in which we as well as many other courts have engaged."); *see Kohler*, 12 F.3d at 638-41; *see also*, Ninth Circuit's Opinion, fn. 2 (App. A5). The arguments do not resolve the conflict.

The *Sears* and *Compco* decisions were based upon the policy underlying Art. 1, § 8, cl. 8 of the Constitution. While Art. 1, § 8, cl. 8 of the Constitution is applicable to the States through the Supremacy Clause, it is *directly* applicable to Congress. If Art. 1, § 8, cl. 8 prohibits the States' unfair competition law from providing trademark protection for the shapes of products, then Congress is equally limited because Art. 1, § 8, cl. 8 is "a limitation" on Congress' power. *Graham, supra,* 383 U.S. at 6; *Railway Labor Executives, supra*, 455 U.S. at 468-69; *see also, Kohler, supra*, 12 F.3d at 646-47 (Cudahy, J., dissent); *Ferrari S.p.A. Esercizio v. Roberts*, 944 F.2d 1235, 1252-53 (6th Cir. 1991) (Kennedy, J., dissent), *cert. denied,* 505 U.S. 1219, 112 S.Ct. 3028, 120 L.Ed.2d 899 (1992).

Further, this Court has held that preventing confusion and proof of secondary meaning were not sufficient justification to permit the intolerable encroachment on the Constitution's preservation of the public's right to copy that which is in the public domain. *Compco*, 376 U.S. at 238. Moreover, proof of secondary meaning and a likelihood of confusion are no hurdle at all when they can be inferred from copying. See Ninth Circuit's Opinion (App. A6-A7 and cases cited therein).[5]

Prohibiting trademark protection of products under the Lanham Act eliminates the clear conflict between the Constitution, the patent laws, and the Circuit Court's interpretation of the Lanham Act. Confusion can be prevented by requiring labeling. *See Sears, supra*, 376 U.S. at 232. *See also, Vornado, supra*, 58 F.3d at 1509 (holding product shape rights could not be had in a device disclosed in an expired patent and that labeling could be used to eliminate confusion. "[The Lanham Act] has never provided absolute protection against all consumer confusion as to source or sponsorship."). Labeling was once considered enough to avoid a claim of unfair competition. *Life Savers Corp. v. Curtiss Candy Co.*, 182 F.2d 4, 8 (7th Cir. 1950) (When a seller of a product labels his products so that a purchaser exercising ordinary care can readily learn the source of the goods, it "has fairly discharged his duty to the public and to his rivals, and is

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[5]There is also considerable conflict among the Circuit Courts on whether secondary meaning can be inferred from copying product shapes. *See Duraco Products, Inc. v. Joy Plastic Enterprises, Ltd.*, 40 F.3d 1431, 1453 (3d Cir. 1994); *Thomas & Betts Corp. v. Panduit Corp.*, 65 F.3d 654, 658 (7th Cir. 1995), *cert. denied*, ___ U.S. ___, 116 S.Ct. 1044, 134 L.Ed.2d 191 (1996); *Sno-Wizard Mfg., Inc. v. Eisemann Products Co.*, 791 F.2d 423, 429 (5th Cir. 1986).

guiltless of that deceit which is an indispensable element of unfair competition.") Labeling preserves the Constitutional objective of protecting what is in the public domain while minimizing any potential confusion. *Vornado, supra*; *see also*, Gleiberman, 45 Stan. L. Rev. at 2069.[6]

Therefore, the Lanham Act cannot be interpreted to prevent the copying of product shapes that are in the public domain. This rule applies whether the product shape is nonfunctional, has acquired secondary meaning, or its use by another creates a likelihood of confusion. *Compco*, 376 U.S. at 238.[7]

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[6]A number of Courts have found no likelihood of confusion in product shape trademark cases in the presence of labeling. *Dorr-Oliver, Inc. v. Fluid-Quip, Inc.*, 94 F.3d 376, 383 (7th Cir. 1996); *Versa Products Co., Inc. v. Bifold Co. (Mfg.), Inc.*, 50 F.3d 189, 213 (3d Cir.), *cert. denied*, ___ U.S. ___, 116 S.Ct. 54, 133 L.Ed.2d 19 (1995); *Sno-Wizard, supra*, 791 F.2d at 429; *Litton Systems, Inc. v. Whirlpool Corp.*, 728 F.2d 1423, 1446 (Fed.Cir. 1984); *Fisher Stoves v. All Nighter Stove Works*, 626 F.2d 193, 195 (1st Cir. 1980); *Sunbeam Corp. v. Equity Industries Corp.*, 635 F. Supp. 625, 633 (E.D. Va. 1986), *aff'd* 811 F.2d 1505 (4th Cir. 1987); *Black & Decker, Inc. v. North American Philips Corp.*, 632 F. Supp. 185, 193 (D. Conn. 1986).

[7]The conflict between product shape trademarks and the patent laws arises whether or not the product's shape is functional. Nonfunctional designs are covered by design patents. Just as with utility patents, once a design patent expires, the product shape disclosed therein is in the public domain and free for all to use. Likewise, a nonfunctional product shape that is not capable of being protected under the design patent laws, because it is not novel or nonobvious, is in the public domain and is free to be copied. *See Compco, supra*, 376 U.S. at 238 ("That an article copied from an unpatented article could be made in some other way, that the design

(continued...)

II. Protecting Functional Product Features as Part of a Combination Trademark Violates the Functionality Doctrine

In the present case, the Ninth Circuit found that, although the components that make up the Sengoku manufactured heater were functional, when combined, they can be protected as a trademark. The Ninth Circuit's decision reflects a current trend in the law whereby trademark protection of purely functional product features is awarded by arguing that the functional features are a part of a product's "overall trade dress". The Ninth Circuit held that the functional features were protectable as part of the overall trade dress of the product.

> When determining functionality, the product's trade dress must be considered as a whole, *First Brands*, 809 F.2d at 1381, and 'functional elements that are separately unprotectable can be protected together as a part of a trade dress.' *Fuddruckers*, 826 F.2d at 842.

(App. A8). This view directly conflicts with the Federal Circuit and the *Restatement (Third) of Unfair Competition* at 17, comment b (1995).

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[7](...continued)
is 'nonfunctional' and not essential to the use of either article . . . neither these facts nor any others can furnish a basis for imposing liability for or prohibiting the actual acts of copying and selling.") *See also Vornado, supra*, 58 F.3d at 1508 (patent law provides for the passing into the public domain even that what trade dress law would consider nonfunctional); *Kohler, supra*, 12 F.3d at 648 (Cudahy, J., dissent).

The Federal Circuit rule was expressed in *Textron, Inc. v. U.S. International Trade Commission*, 753 F.2d 1019, 1025 (Fed. Cir. 1985):

> The case law of this court and of its predecessor also establishes that before an overall product configuration can be recognized as a trademark, the *entire* design must be arbitrary or non *de jure* functional. . . . The reason for this rule is self-evident – the right to copy better working designs would, in due course, be stripped of all meaning if overall functional designs were accorded trademark protection because they included a few arbitrary and nonfunctional features. . . . In cases where the holders of such designs seek trademark protection, it can be obtained only for those features that are nonfunctional. (Citations omitted.)

See also, 1 McCarthy, *McCarthy on Trademarks and Unfair Competition* (4th Ed. 1996), § 7:76 at 7-157-8. ("In the author's opinion, giving trade dress protection to a combination of individually unprotectable parts raises the danger of trade dress law being stretched to create 'common law' patents or copyrights: creating intellectual property in areas intentionally left in the public domain by patent and copyright law. . . . Extreme caution is necessary in analyzing such combinations, lest trade dress law create exclusive rights where none should exist.")

Under Federal Circuit law the *entire* design must be nonfunctional. One cannot obtain overall trademark protection of a product merely by adding a few nonfunctional parts. Where the entire design is not nonfunctional, trademark rights can be had only in the nonfunctional parts

and only after it is established that those features have obtained secondary meaning and that their use by another manufacturer can cause a likelihood of confusion. Further, the party claiming trademark rights has the burden of showing that the functional features were combined in a nonfunctional way. *Elmer v. ICC Fabricating Inc.*, 67 F.3d 1571, 1579 (Fed. Cir. 1995).

Sengoku could not have any trademark rights under the Federal Circuit's view, as the *entire* design was not nonfunctional. The Ninth Circuit held that the rectangular shape of the heater with the burner chamber offset to the left was functional. (App. A8-A9). The knobs and switches are located in their respective positions for the functional reason that they are attached directly to the unpatented mechanisms they operate. (See Figures 1 and 2, *supra*; see also, App. A8; H6-H8). Thus, the *entire* design is not nonfunctional. There was no showing that any of the nonfunctional features of the Sengoku manufactured heater (i.e. the color scheme) had separately acquired secondary meaning. Thus, Sengoku could not have trademark rights in the heater at issue.[8]

A. Functional Features Cannot Be Used to Establish Secondary Meaning

In concluding that the shape of the heater at issue had obtained secondary meaning, the Ninth Circuit relied on an inference of secondary meaning that could by drawn by virtue

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[8]Even under the Ninth Circuit's view of the law in this case, no trademark rights were established. The Ninth Circuit's finding that the shape (which Sengoku contended was the "dominant" feature of its trademark) was functional established that the overall design was not primarily nonfunctional and therefore not entitled to trademark protection.

of RMC's copying the Sengoku manufactured heater and the testimony of the employees of Sengoku's current U.S. distributor that they can identify the manufacturer by the "shape" of the heater. (App. A6). [9] Yet, the Ninth Circuit held that the *shape* of the heater (including the rectangular shape with a partial grill offset to the left) was functional. In other words, RMC's use of functional features, the very right the functionality doctrine preserves, gave rise to a finding of secondary meaning.

It has long been recognized that functional features cannot be considered for the purposes of determining secondary meaning. 1 McCarthy, *supra*, § 7.66 at 7-129 to 7-131. Any consumer recognition that attaches to functional features is called "de facto secondary meaning" and cannot be considered when determining secondary meaning. *Id.*

> [A]s to some . . . shapes the courts will never apply the "secondary meaning" doctrine so as to create monopoly rights. The true basis of such holdings is not that they cannot or do not indicate source to the purchasing public, but that there is an over-riding public policy in preventing their monopolization, of preserving the right to copy. A certain amount of customer confusion may even

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[9]Testimony from self-interested parties or their employees is generally regarded as not probative of secondary meaning or a likelihood of confusion. *Cellular Sales, Inc. v. Mackey*, 942 F.2d 483, 486 (8th Cir. 1991); *815 Tonawanda Street Corp. v. Fay's Drug Co., Inc.*, 842 F.2d 643, 649 (2d Cir. 1988); *Gimix, Inc. v. JS & A Group, Inc.*, 699 F.2d 901, 907 (7th Cir. 1983); *Educational Development Corp. v. Economy Co.*, 562 F.2d 26, 30 (10th Cir. 1977); 2 McCarthy, *supra*, §15.40 (1996).

> be tolerated in order to give the public the advantages of free competition.

Application of Deister Concentrator Co., 289 F.2d 496, 503-04 (C.C.P.A. 1961).

Thus, "even though buyers may associate the functional shape with a single source, the separate policy of forbidding trademark protection prevails." 1 McCarthy, *supra*, § 7.66 at 7-130. This Court also discussed this principle in its recent decision in *Qualitex Co. v. Jacobson Products Co., Inc.*, *supra*, 115 S.Ct. at 1304:

> Functionality doctrine therefore would require, to take an imaginary example, that even if customers have come to identify the special illumination-enhancing shape of a new patented light bulb with a particular manufacturer, the manufacturer may not use that shape as a trademark, for doing so, after the patent had expired, would impede competition -- not by protecting the reputation of the original bulb maker, but by frustrating competitors' legitimate efforts to produce an equivalent illumination-enhancing bulb.

See also, Duraco, supra, 40 F.3d at 1453; *Dorr-Oliver, supra*, 94 F.3d at 383; *Thomas & Betts, supra*, 65 F.3d at 658.

The Ninth Circuit's decision accomplishes precisely what the Federal Circuit warned against in *Textron*. The Ninth Circuit gave perpetual trademark protection to a purely functional machine merely because it was painted with a

fanciful graphic design.[10] The Ninth Circuit's decision is contrary to the great weight of authority and shows how the functionality doctrine has eroded to the point that it offers no practical protection to competitors.

Thus, because there was no evidence that any non-functional feature of the *KeroHeat* heater trade dress served as an indicator of source, there was no evidence of secondary meaning.

B. Functional Features Cannot Be Considered When Deciding a Likelihood of Confusion

In finding a likelihood of confusion, the Ninth Circuit again relied on the functional features of the heater. Just as functional features cannot be used to establish secondary meaning they cannot be used to establish a likelihood of confusion. *See* 1 McCarthy, *supra*, § 7.66 at 7-129 to 7-131; *Application of Deister, supra*, 289 F.2d at 503-04.

The Ninth Circuit noted that "the layout of all the product components [between the *KeroHeat* and *Dyna-Glo* heaters] are nearly identical." The only components that are in common between the Sengoku manufactured *KeroHeat* and

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[10]The error in the Ninth Circuit's decision is apparent from the order in which the Ninth Circuit addressed the issues of secondary meaning, likelihood of confusion and functionality. The Ninth Circuit considered secondary meaning and likelihood of confusion before functionality. As a result, the Ninth Circuit relied on features it later determined were functional when it found secondary meaning and a likelihood of confusion. The Ninth Circuit should have first determined what was protectable (i.e. functional or nonfunctional) and then determined whether those features had acquired secondary meaning and whether their use by RMC was likely to cause confusion.

RMC's *Dyna-Glo* heaters are: the rectangular shape with a partial grill offset to the left, which the Ninth Circuit found to be functional; the arrangement of the switches which operate the unpatented mechanism and were admitted by Sengoku to be functional (App. A8; H6-H8); and the placement of the fuel gauge opening on the right hand side of the heater, which is functionally located in front of the fuel gauge which is attached to the fuel tank inside the heater. Each of these components separately and in combination are functional. The nonfunctional features of the Sengoku manufactured heater, such as the color and graphic scheme, do not exist in the *Dyna-Glo* heater.

Thus, in finding a likelihood of confusion, the Ninth Circuit relied on the similarity in functional components between the heaters. The Ninth Circuit found a likelihood of confusion even though RMC's *Dyna-Glo* heater did not have the nonfunctional components of the Sengoku manufactured heater's "trade dress." This approach improperly gives trademark protection to the functional features. *See* 1 McCarthy, *supra*, § 7:76 at 7-158 ("Of course, if the trade dress that is found infringed consists of a non-functional combination of individually functional features, then injunctive relief must be limited to the use of that combination. The individual features apart from that particular combination remain free for all competitors to use.") It is only logical that if one obtains trademark rights by arguing that the consuming public recognizes a specific combination of features as originating from a single source, then the consuming public will not be confused when that same combination does not appear in a competing product. *See Petersen Mfg. Co. v. Central Purchasing, Inc.*, 740 F.2d 1541, 1551 (Fed. Cir. 1984) (Rejecting argument that consumers who allegedly had come to rely on subtle details of a tool's appearance to

identify source could not distinguish other tools that had different features.)[11]

The Ninth Circuit's decision shows how easily the Constitional right to copy that which is in the public domain can be overcome. The functionality doctrine is easily overcome by the argument that the functional features are combined with paint or graphics. Secondary meaning is inferred from copying (though the copied features are functional) and the self-serving testimony of a company's salesman (not an ordinary consumer) that he can tell products apart by their shape. A likelihood of confusion is easily found by the similarity in appearance (due to the common use of functional features.) The Constitutional purpose of preserving the public domain should not be so easily overcome.

III. The Ninth Circuit's Decision Conflicts With The Statutory Presumption of Trademark Ownership

RMC was the presumed owner of the *KeroHeat* trademark by virtue of RMC's federal trademark registration. 15 U.S.C. §§ 1057(b) and 1115(a). Thus, the burden of proof was on Sengoku to introduce sufficient evidence to rebut RMC's presumption of ownership. The District Court

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[11] The Ninth Circuit's approach is another example of how product shape trademark protection offers greater rights than those awarded under the patent laws. The Ninth Circuit defined Sengoku's product shape trademark narrowly by including nearly every component of the heater (including color and graphics) when it addressed the issue of functionality, but defined the trademark broadly when it considered a likelihood of confusion. In patent cases, however, when an inventor narrows its claims to avoid the prior art, the inventor cannot argue for a broader interpretation of the patent's claims in a suit for patent infringement.

however instructed the jury that Sengoku, the manufacturer, was the presumed owner of the *KeroHeat* trademark. The Ninth Court affirmed the District Court's instruction, holding that where "neither party can establish priority of use, the presumption in favor of the manufacturer applies". (App. B9; see also, B7). This is not a correct statement of the law.

The owner of a federal registered trademark is entitled to a statutory presumption of ownership. *See Energy Jet, Inc. v. Forex Corp.*, 589 F. Supp. 1110, 1116-19 (E.D. Mich. 1984). Although the court in *Energy Jet* mentioned that a manufacturer of goods is generally presumed to be the owner, the court correctly gave Energy Jet, the owner of the federal registration, the statutory presumption of ownership. *Energy Jet*, 589 F. Supp. at 1116; *see also, Omega Nutrition U.S.A., Inc. v. Spectrum Marketing, Inc.*, 756 F. Supp. 435, 437-39 (N.D. Cal. 1991); *Ilapak Research & Development S.A. v. Record SpA*, 762 F. Supp. 1318, 1322-23 (N.D.Ill. 1991).

The Lanham Act, §§ 1057(b) and 1115(a), is clear and unambiguous. It expressly provides that the owner of a federal registration is the presumed owner of the trademark. The District Court's ownership instruction incorrectly gave Sengoku the presumption of ownership and placed the burden of proof on RMC, the registered owner. Misinstructing the jury on the respective burdens of proof is reversible error. *Carvalho v. Raybestos-Manhattan, Inc.*, 794 F.2d 454, 455 (9th Cir. 1986); *Boles Trucking, Inc. v. United States of America*, 77 F.3d 236, 241 (8th Cir. 1996); *Putnam Resources v. Pateman*, 958 F.2d 448, 471 (1st Cir. 1992); *Stevison By Collins v. Enid Health Systems, Inc.*, 920 F.2d 710, 714 (10th Cir. 1990); *Bersett v. K-Mart Corp.*, 869 F.2d 1131, 1135 (8th Cir. 1989). This is particularly true in close cases as the Ninth Circuit found this case to be. (App. B8).

While the evidence (including RMC's trademark registration, Sengoku's admissions of RMC's ownership of *KeroHeat*, RMC's nine years of customer service and identification on the heater and packaging) should have established RMC's ownership rights as a matter of law, at the very least the case should have been reversed for a new trial with the burden of proof properly assigned to Sengoku.

CONCLUSION

For the reasons set forth above, a writ of certiorari should issue to review the judgment and opinion of the Ninth Circuit.

Respectfully submitted,

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APPENDIX A

NOT FOR PUBLICATION

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

FILED
SEP 20, 1996
Cathy A. Catterson, Clerk
U.S. COURT OF APPEALS

SENGOKU WORKS LTD., a corporation,
Plaintiff-counter-defendant
Appellee/Cross-Appellant,
v.
RMC INTERNATIONAL, LTD., a corporation;
MICHAEL RESMO; JOSEPH MALAGA,
Defendants-counter-plaintiffs
Appellants/Cross-Appellees.

Nos. 95-55990, 95-56087
D.C. No. C-94-03197-ER
MEMORANDUM*

Appeal from the United States District Court
for the Central District of California
Edward Rafeedie, District Judge, Presiding

Argued and Submitted August 7, 1996
Pasadena, California

Before: REINHARDT, HALL, and LEAVY,
Circuit Judges

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* This disposition is not appropriate for publication and may not be cited to or by the courts of this circuit except as provided by 9th Cir. R. 36-3.

RMC International Ltd., and its officers Michael Resmo and Joseph Malaga, appeal the district court's judgment, following a jury trial, in favor of Sengoku Works Ltd. for trademark and trade dress infringement under the Lanham Act, 15 US.C. §§ 1051-1127, and breach of contract under California law. RMC had served since 1985 as exclusive United States distributor of kerosene heaters manufactured by Sengoku, a Japanese corporation, and these charges arose in connection with RMC's decision to market kerosene heaters manufactured by Wooshin, a Korean corporation.

I

Sengoku sued RMC for breach of contract, claiming that there was a valid written contract whereby RMC agreed to act as Sengoku's exclusive U.S. distributor in 1994. RMC argues that there never was a signed written contract for 1994, and therefore, Sengoku's contract claim is barred by the Statute of Frauds. The real question, however, is whether a contractual agreement was ever reached by the parties.

Under the California Commercial Code, the parties may form a contract after reaching accord even though the terms of the offer and acceptance do not perfectly mirror one another, unless the offeree expressly conditioned his acceptance on the offeror's assent to the additional terms. Cal. Comm. Code § 2207; *see Steiner v. Mobil Oil Corp.*, 141 Cal.Rptr. 157, 163-64 (Cal. 1977) (noting that "section 2207 looks to the actual dealings of the parties," and "inquires as to whether the parties intended to complete an agreement.").

Sengoku sent a letter to RMC setting forth the basic terms of a proposed 1994 agreement, which included an exclusivity provision as in prior contracts and indicated the price terms for the year. The letter also stated: "If

RMC accept his [sic] way of business then Sengoku will ship the heaters for 1994 season to RMC thru Zenith" and "When RMC accept and work with these prices, Sengoku will give exclusivity for 1994 to RMC to sell to North America."

RMC's response opened with, "In the spirit of cooperation, I accept your latest proposal." The letter also proposed a modified price arrangement: "In view of the above, I now ask you to demonstrate the spirit of your cooperation by changing our price schedule where all purchases for the entire season would be at one price." Finally, the letter assured Sengoku that RMC intended to continue their relationship: "We have worked together successfully for many years and it is our desire to continue this relationship for many years to come and prosper together." The letter closed with "I hope you will give my request your best effort and acknowledge positively your decision as soon as possible so that we may proceed accordingly."

We conclude that these letters do not represent a valid offer and acceptance. The closing of RMC's letter indicates that RMC would not proceed without Sengoku's acceptance of RMC's price terms. Furthermore, Sengoku points out that RMC's requested price arrangement was quite different than the parties' past agreements, "which traditionally reserved price issues for review on a 'case by case' basis, depending upon the retailer placing the order." Given that RMC's price term represented a departure from the parties' prior course of dealings, it seems unlikely that RMC intended to be bound to other terms of the proposed contract without Sengoku's concession to the new price term. Thus, we find that RMC's acceptance was expressly conditioned upon Sengoku agreeing to the new price term. As a result, RMC's letter can be considered at most a counter-offer that required Sengoku's acceptance before

creating a binding contract. The record indicates that price negotiations continued between these parties, and no accord was reached. Thus, there was no contract for 1994, and accordingly, no breach.

II

The jury found for Sengoku on its claim that RMC infringed the trade dress of Sengoku's heaters, by distributing Wooshin-manufactured heaters confusingly similar to Sengoku's. RMC appeals that verdict on the basis that it is not supported by substantial evidence. We disagree, and affirm the verdict for Sengoku on this issue.[1]

"Trade dress" encompasses the total look of a product, including the product's packaging or labeling, and its shape or design. *International Jensen, Inc. v. Metrosound U.S.A., Inc.*, 4 F.3d 819, 822 (9th Cir. 1993); *Vision Sports, Inc. v. Melville Corp.*, 888 F.2d 609, 613 (9th Cir. 1989); *Rachel v. Banana Republic, Inc.*, 831 F.2d 1503, 1506 (9th Cir. 1987); *Fuddruckers, Inc. v. Doc's B.R. Others, Inc.*, 826 F.2d 837, 841 (9th Cir. 1987). If a seller adopts a trade dress that is confusingly similar to a competitor's, then that is actionable as unfair competition under Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a). *International Jensen*, 4 F.3d at 822; *Vision Sports*, 888 F.2d at 613. A successful claim of trade dress infringement requires the plaintiff to prove that: (1) the trade dress is inherently distinctive, or that it has acquired distinctiveness through secondary meaning; (2) there is a likelihood of confusion by the consuming public; and (3) the trade dress is

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[1] RMC also appealed the jury's verdict for Sengoku on a related trademark infringement claim. That issue is addressed in a separate published opinion, so we decide only the trade dress claim here.

nonfunctional. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 112 S.Ct. 2753, 2758 (1992); *International Jensen*, 4 F.3d at 823; *First Brands Corp. v. Fred Meyer, Inc.*, 809 F.2d 1378, 1381 (9th Cir. 1987).

In its complaint, Sengoku defined its trade dress as "the overall shape of the product, positioning of the instrumentation, lettering, model number designations, pattern of the graphic design, and color combination."

RMC argues that Sengoku did not present sufficient evidence to support a jury verdict on the issues of secondary meaning, confusion, and functionality.[2] A jury verdict on each of these issues will be upheld if it is supported by substantial evidence, which is sufficient relevant evidence for reasonable minds to accept as adequate to support the jury's conclusion. *Murray v. Laborers Union Local No. 324*, 55 F.3d 1445, 1452 (9th Cir. 1995); *see also Vision Sports*, 888 F.2d at 614; *Fuddruckers*, 826 F.2d at 843; *Levi Strauss & Co. v. Blue Bell, Inc.*, 778 F.2d 1352, 1355 (9th Cir. 1985) (en banc).

(1) Secondary meaning

We have enumerated several factors to consider when determining secondary meaning: whether actual purchasers associate the trade dress with plaintiff's products, the degree and manner of plaintiff's use of the

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[2] RMC also asserted an argument that the shape of Sengoku's heaters is in the public domain and thus, is not protectable as trade dress. As Sengoku correctly points out, RMC misapplied several seminal patent law cases to reach this conclusion, and we therefore reject this argument. *See Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989); *Sears Roebuck & Co. v. Stiffel*, 376 U.S. 225 (1964); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964).

trade dress, and whether plaintiff's use of the trade dress has been exclusive. *Vision Sports*, 888 F.2d at 615; *Levi Strauss*, 778 F.2d at 1358. In addition, proof of intentional copying by the alleged infringer supports an inference of secondary meaning. *Vision Sports*, 888 F.2d at 615; *Fuddruckers*, 826 F.2d at 844; *Transgo, Inc. v. AJAC Transmission Parts Corp.*, 768 F.2d 1001, 1016 (9th Cir. 1985) ("Proof of exact copying, without any opposing proof, can be sufficient to establish secondary meaning"), *cert. denied*, 474 U.S. 1059 (1986).

Sengoku presented evidence that representatives of Sengoku's current United States distributor, Cans Unlimited, associate the design of Sengoku-manufactured heaters with Sengoku, regardless of the trademark affixed to the product. They also testified that they can distinguish between the heaters of all four manufacturers in the U.S. market by their shape, except that the infringing Wooshin heaters quite closely resemble Sengoku's.

Primarily, Sengoku relies on evidence that RMC directly copied its heater design. Sengoku presented testimony that RMC sent Sengoku heaters to Wooshin, presumably to allow Wooshin to copy them. Moreover, the design of the Wooshin Keroheat heaters looks almost identical to that of Sengoku, including the use of the "Keroheat" mark. The Wooshin Dyna-Glo heater is also quite similar, albeit with a different trademark. Although copying does not always lead to an inference of secondary meaning, in this case, RMC seems to have been intent upon trading on the goodwill developed by the Sengoku heaters.

Given that others do attribute the source of this trade dress to Sengoku, and the evidence that RMC so closely copied Sengoku's design, we find that there is substantial evidence supporting the jury's finding of secondary meaning.

(2) Likelihood of Confusion

For claims under Lanham Act § 43(a), 15 U.S.C. § 1125(a), "[a] likelihood of confusion exists when consumers 'are likely to assume that a product or service is associated with a source other than its actual source because of similarities between the two sources' marks or marketing techniques.' " *International Jensen*, 4 F.3d at 825 (quoting *Metro Publishing, Ltd. v. San Jose Mercury News*, 987 F.2d 637, 640 (9th Cir. 1993)).

The Ninth Circuit usually applies an eight-factor test to evaluate likelihood of confusion. *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348 (9th Cir. 1979); *Vision Sports*, 888 F.2d at 616. When the allegedly infringing product competes directly with the trademark owner's product, the likelihood of confusion is found more readily, and generally depends upon whether the products' marks are confusingly similar, without consideration of all the factors. *Lindy Pen Co., Inc. v. Bic Pen Corp.*, 796 F.2d 254, 255 (9th Cir. 1986); *Official Airline Guides, Inc. v. Goss*, 6 F.3d 1385, 1391 (9th Cir. 1993) ("The eight factor test applies when the products are related but *not* in direct competition."); *AMF*, 599 F.2d at 348.

In this case, a visual comparison of the products does suggest a confusing similarity. The layout of all the product components are nearly identical, and the original Wooshin heaters also bore the Keroheat trademark. The determination of likelihood of confusion is "predominantly factual in nature," *Levi Strauss*, 778 F.2d at 1355-56 & n.5, and is therefore better left to the jury. Upon comparing the various heaters the jury determined that they were confusingly similar. Therefore, we affirm the jury's finding of likelihood of confusion.

(3) Non-Functionality

Trademark and trade dress protection does not extend to product features that are purely functional. A trade dress is functional if it is essential to the product's use or purpose or if it affects the product's cost or quality. *International Jensen*, 4 F.3d at 823; *Rachel*, 831 F.2d at 1506; *Fuddruckers*, 826 F.2d at 842. In other words, if exclusive use of the product's feature "would put competitors at a significant non-reputation-related disadvantage," then the feature is functional. *Qualitex Co. v. Jacobson Products Co.*, 115 S.Ct. 1300, 1304 (1995). The existence of an adequate number of feasible alternative designs is a significant factor in determining whether competitors will still be able to compete effectively. *Clamp Mfg. Co. v. Encon Mfg. Co.*, 870 F.2d 512, 516 (9th Cir. 1989); *Wallace International Silversmith v. Godinger Silver Art*, 916 F.2d 76 (2d Cir. 1990), *cert. denied*, 111 S.Ct. 1622 (1991); *In re Lincoln Diagnostics Inc.*, 30 U.S.P.Q. 2d 1817, 1824-25 (TTAB 1994) (noting that the existence of seven hypothetical alternative designs is a very limited number, and would "seriously interfere with the fundamental right to compete"). When determining functionality, the product's trade dress must be considered as a whole, *First Brands*, 809 F.2d at 1381, and "functional elements that are separately unprotectable can be protected together as part of a trade dress." *Fuddruckers*, 826 F.2d at 842.

Sengoku admits that the features it seeks to protect are functional, but it argues that the combination of features is nonfunctional. Most of its evidence on this issue relates to the availability of alternative designs. Sengoku introduced catalog pages showing several different kerosene heaters. Upon comparing all the various heater designs depicted in the record, we conclude that there is a limited number of basic configura-

tions. Furthermore, several companies market similar products already (or have in the past). Thus, awarding trade dress protection for Sengoku's basic design — a rectangular heater, with a partial grill and the removable cartridge tank on the right — could seriously impede competition.

Nevertheless, Sengoku has not claimed protection of merely its basic design, but has instead defined in detail the combination and arrangement of features it seeks to protect. Sengoku seeks to protect every aspect of its trade dress, including the arrangement and color of the knobs, switches and controls, the shape and color of the heater and each of its components, and the look and configuration of the labeling. Although many of these features are functional, we find that Sengoku has adequately proved that its trade dress, when taken as a whole, is not functional. contrary to RMC's claims, another manufacturer may still produce a rectangular shaped heater with a partial grill offset to the right — but in doing so, it may not copy every detail of Sengoku's trade dress.

RMC also objects to the district court's formulation of the jury instruction on functionality. However, RMC did not object below to this instruction, as required by Fed. R. Civ. P. 51,[3] and as a result has waived its right to raise the issue on appeal.

Finally, we reject RMC's argument that Sengoku should be judicially estopped from presenting its trademark claims.

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[3] Rule 51 provides, in relevant part: "No party may assign as error the giving or the failure to give an instruction unless that party objects thereto before the jury retires to consider the verdict, stating distinctly the matter objected to and the grounds of the objection."

Judicial estoppel preserves the integrity of the judicial process by preventing a party from obtaining relief on different occasions by asserting inconsistent positions. *Yanez v. United States*, 989 F.2d 323, 326 (9th Cir. 1993). We conclude that judicial estoppel does not apply in this case because Sengoku has not asserted inconsistent positions in the two litigations. In the earlier case, Sengoku argued that it did not have sufficient minimum contracts with the State of Michigan, and did not purposefully avail itself of the laws of that state, because it does not directly market or sell its products in the United States. Sengoku did not hide the details of its distributorship agreement with RMC from the court, it simply noted that it sold its products to Zenith, the intermediary trading company, which then sold the products to RMC. This is not inconsistent with anything Sengoku has alleged in the current dispute. None of the evidence that RMC points to suggests a different conclusion. Therefore, Sengoku's trademark claims are not barred.

IV

For the foregoing reasons, we hold as follows: The verdict on the breach of contract claims is not supported by substantial evidence, and is therefore REVERSED. The verdict for Sengoku on the trade dress infringement claim is AFFIRMED. In addition, the district court's award of attorneys' fees to Sengoku is AFFIRMED, insofar as those fees are based upon Sengoku's claims under the Lanham Act.

AFFIRMED in part, and REVERSED in part.

APPENDIX B

FOR PUBLICATION

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

SENGOKU WORKS LTD., a corporation,
Plaintiff-counter-defendant Appellee-Cross-Appellant,

v.

RMC INTERNATIONAL, LTD., a corporation; MICHAEL RESMO; JOSEPH MALAGA,
Defendants-counter-plaintiffs Appellants-Cross-Appellees.

Nos. 95-55990
95-56087

D.C. No.
CV-94-03197-ER

OPINION

Appeals from the United States District Court
for the Central District of California
Edward Rafeedie, District Judge, Presiding

Argued and Submitted
August 7, 1996—Pasadena, California

Filed September 20, 1996

Before: Stephen Reinhardt, Cynthia Holcomb Hall, and Edward Leavy, Circuit Judges.

Opinion by Judge Hall

COUNSEL

Jan P. Weir, Poms, Smith, Lande & Rose, Los Angeles, California, for the defendants-counter-plaintiffs-appellants-cross-appellees.

R. Joseph Trojan, Trojan Law Offices, Beverly Hills, California, for the plaintiff-counter-defendant-appellee-cross-appellant.

OPINION

HALL, Circuit Judge:

RMC International Ltd., and its officers Michael Resmo and Joseph Malaga, appeal the district court's judgment, following a jury trial, in favor of Sengoku Works Ltd. for trademark and trade dress infringement under the Lanham Act, 15 U.S.C. §§ 1051-1127, and breach of contract under California law. RMC had served since 1985 as exclusive United States distributor of kerosene heaters manufactured by Sengoku, a Japanese corporation, and these charges arose in connection with RMC's decision to market kerosene heaters from another source.

In this opinion we address only the issue of ownership of the Keroheat trademark. All the other issues are disposed of in a separate unpublished disposition.

I

RMC is an importer of portable kerosene heaters. From 1985 to 1994, it imported and sold exclusively heaters manufactured by Sengoku, pursuant to yearly contracts signed by the parties. These contracts included exclusivity provisions, under which Sengoku appointed RMC its exclusive U.S. distributor, and RMC agreed to distribute only Sengoku-manufactured heaters. As part of this arrangement, Sengoku sold the heaters to an independent trading company, Zenith & Co., who then sold them to RMC. The RMC/Zenith/Sengoku heaters bore the trademark "Keroheat."

Under the agreement, RMC handled all of the marketing and advertising for the heaters, and arranged for all of the retailer purchases of the heaters. Only RMC's name appeared on the product and packaging, and RMC dealt with all consumer complaints and returns. RMC claims that in the early 1990s it began to experience increasing quality problems with the Sengoku heaters, and increasing customer complaints. When Sengoku did not take satisfactory steps to remedy the problems, in 1993 RMC began to negotiate with Wooshin, a Korean corporation, to manufacture and supply kerosene heaters to RMC.

RMC maintains that they had no valid contract with Sengoku for 1994. For the first quarter of 1994, RMC performed as it had for the previous nine years. But in late March Sengoku became aware that RMC was selling heaters to Sengoku's largest U.S. customer that were manufactured by Wooshin, and that bore the Keroheat trademark and closely resembled Sengoku's heaters. Sengoku filed suit against RMC for breaching the exclusivity provision of their contract, and for trademark and trade dress infringement.

Sengoku and RMC each claim ownership of the Keroheat trademark. From 1982 to 1985, prior to the Sengoku/RMC agreements, Sengoku heaters bearing the Keroheat mark were

sold to a trading company called Imarflex, and were then sold in the U.S. by C.C.I., a company partially owned by Cort Clark. In 1985, Clark sued Imarflex for breach of contract and trademark infringement, claiming that he owned the Keroheat trademark. After the Sengoku/Imarflex/Clark deal ended, Clark then founded RMC, with Michael Resmo and Joseph Malaga. RMC began selling Sengoku heaters under the Keroheat mark in 1985, and obtained a federal registration of the mark. Clark left RMC in 1992, and now works for Sengoku.

In July 1994 the district court granted Sengoku a preliminary injunction to enjoin RMC from selling the Wooshin heater bearing the Keroheat mark. After a seven day jury trial, the jury found for Sengoku on all claims. The jury awarded Sengoku only $1.00 in damages on the trademark infringement claim. The district court then ordered the cancellation of RMC's federal trademark registration for Keroheat, and entered a permanent injunction barring RMC from using the mark. The district court also denied RMC's post-trial motions for judgment as a matter of law and for a new trial. This appeal followed.

II

Both parties agree that RMC did distribute heaters bearing the Keroheat trademark that were not manufactured by Sengoku. However, they both claim ownership of the Keroheat trademark, and this issue is central to the finding for Sengoku on trademark infringement.

Challenges to the sufficiency of the evidence and the denial of a motion for judgment notwithstanding the verdict are reviewed de novo to determine if the plaintiff's claims were supported by substantial evidence. *Erickson v. Pierce County*, 960 F.2d 801, 804 (9th Cir.), *cert. denied*, 113 S. Ct. 815 (1992). Substantial evidence is such relevant evidence as reasonable minds might accept as adequate to support the jury's

verdict. *Murray v. Laborers Union Local No. 324*, 55 F.3d 1445, 1452 (9th Cir. 1995).

[1] It is axiomatic in trademark law that the standard test of ownership is priority of use. To acquire ownership of a trademark it is not enough to have invented the mark first or even to have registered it first; the party claiming ownership must have been the first to actually use the mark in the sale of goods or services. *See generally* J. Thomas McCarthy, 2 *McCarthy on Trademarks and Unfair Competition* § 16.03 (3d ed. 1996) (hereinafter *McCarthy*). When proving ownership of a trademark, federal registration of the mark is prima facie evidence that the registrant is the owner of the mark. Lanham Act § 7(b), 15 U.S.C. § 1057(b); Lanham Act § 33(a), 15 U.S.C. § 1115(a). Therefore, the registrant is granted a presumption of ownership, dating to the filing date of the application for federal registration, and the challenger must overcome this presumption by a preponderance of the evidence. *Vuitton et Fils S.A. v. J. Young Enterprises*, 644 F.2d 769, 775-76 (9th Cir. 1981); *Rolley, Inc. v. Younghusband*, 204 F.2d 209 (9th Cir. 1953). However, the nonregistrant can rebut this presumption by showing that the registrant had not established valid ownership rights in the mark at the time of registration — in other words, if the nonregistrant can show that he used the mark in commerce first, then the registration may be invalidated.

Disputes over trademark ownership often arise when the mark is used on goods that are manufactured by one company, but are marketed by another pursuant to an exclusive distributorship agreement. These relationships usually arise in one of two factual situations: either (1) the manufacturer licenses the distributor to use a trademark owned by the manufacturer, or (2) the distributor owns its own mark, sometimes called a "private label," which it affixes to the manufacturer's product before delivery. In either case, the ownership of the mark turns on which party was the initial owner.

[2] Unfortunately, not every distribution agreement fits clearly into one of these two categories. When disputes arise between a manufacturer and distributor, courts will look first to any agreement between the parties regarding trademark rights. *Premier Dental Products v. Darby Dental Supply Co.*, 794 F.2d 850, 854 (3d Cir.), *cert. denied*, 479 U.S. 950 (1986). But in the absence of an agreement between the parties, the manufacturer is presumed to own the trademark. *Energy Jet, Inc. v. Forex Corp.*, 589 F. Supp. 1110, 1116 (E.D. Mich. 1984); *Wrist-Rocket Mfr. Co. v. Saunders*, 379 F. Supp. 902, 909 (D. Neb. 1974) ("*Wrist-Rocket I*"), *aff'd in part and rev'd in part on other grounds*, 516 F.2d 846 (8th Cir.) ("*Wrist-Rocket II*"), *cert. denied*, 423 U.S. 870 (1975); *Automated Productions Inc. v. FMB Maschinenbaugesellschaft mbH & Co.*, 36 U.S.P.Q.2d 1714, 1716 (N.D. Ill. 1995). That presumption applies with equal force to cases involving foreign manufacturers. *See, e.g., Energy Jet*, 589 F. Supp. at 1116; *Hank Thorp, Inc. v. Minilite, Inc.*, 474 F. Supp. 228, 236 (D. Del. 1979). Although some courts have suggested that the presumption may be different in the case of foreign manufacturers, frequently the identical standard has in fact been applied, and we see no reason for doing otherwise.

[3] The presumption in favor of the manufacturer is rebuttable, however, and a long-standing line of precedent holds that an exclusive distributor may acquire trademark rights superior to those of the manufacturer. *See Menendez v. Holt*, 128 U.S. 514 (1888); *Omega Nutrition v. Spectrum Marketing*, 756 F. Supp. 435, 438 (N.D. Cal. 1991) (granting a preliminary injunction to the exclusive distributor against the manufacturer for trademark infringement); *see also* 2 *McCarthy*, § 16.15[1] n.3 (citing a long list of cases following this principle). Therefore, the distributor may rebut the presumption in favor of the manufacturer, and courts look to various factors when determining which party has the superior right of ownership, including:

> (1) which party invented and first affixed the mark onto the product;

(2) which party's name appeared with the trademark;

(3) which party maintained the quality and uniformity of the product; and

(4) with which party the public identified the product and to whom purchasers made complaints.

Omega Nutrition, 756 F. Supp. at 438-49. Furthermore, courts will also consider which party possesses the goodwill associated with the product, or which party the public believes stands behind the product. *Premier Dental*, 794 F.2d at 854.

On appeal (and at trial), Sengoku seemed to argue that once it was established that Sengoku was the manufacturer and RMC was the exclusive distributor, then the issue of trademark ownership is resolved — in other words, if this was a manufacturer/exclusive distributor relationship, then Sengoku is entitled to the presumption in favor of the manufacturer and has therefore established its ownership of the trademark. This is, however, an oversimplification of the law.

[4] The determinative issue is not which label is placed upon the relationship, but rather which party can establish priority of ownership. *See Wrist-Rocket II*, 516 F.2d at 850 (When the issue "is who, as between the manufacturer and distributor, has ownership of a trademark created *after* formation of the business relationship . . . the dispositive question [is] which party has priority of appropriation and use of the trademark."). The court must first look to any agreement or acknowledgment between the parties regarding trademark rights. There was no such agreement between Sengoku and RMC; thus, if neither party can prove that it initially owned the trademark, then Sengoku is entitled to claim the presumption in favor of the manufacturer. In that case, RMC may rebut this presumption by addressing the factors set forth above.

[5] While this is a close question, we find that there is substantial evidence in the record to support a finding that Sengoku owned the trademark. Sengoku first affixed the Keroheat mark to its heaters in 1982, at least two years before RMC began distributing Keroheat heaters. RMC's federal registration of the mark was not acquired until 1992, and RMC claimed it first used the mark in commerce in 1985. Although RMC claims that CCI, the exclusive distributor before RMC, owned the trademark, there is no evidence that ownership was transferred to RMC. Thus, the jury could reasonably have found that Sengoku established prior use.

[6] Furthermore, when considering the factors that go to trademark ownership, some support Sengoku's argument, and some support RMC's. Only RMC's name appears on the product and packaging, and RMC handles all customer complaints and returns. However, Sengoku exercises control over the product quality and uniformity, and Sengoku apparently first affixed the trademark to its heaters. Also, other dealers in the business testified that they attribute the heaters bearing the Keroheat mark to Sengoku.

[7] In determining whether substantial evidence supports a jury verdict, we cannot simply substitute our judgment for that of the jury. We must consider whether the record contains substantial evidence upon which reasonable minds could base the verdict. In this case, we find that the jury could reasonably have found that Sengoku owned the trademark. Therefore, we affirm the jury's verdict for Sengoku on trademark infringement.

III

RMC also challenges the jury instructions on trademark ownership. RMC claims that the instructions as formulated allowed the jury to find that because Sengoku was a foreign manufacturer it owned the trademark regardless of prior

acquisition, and regardless of any other factors that prove ownership.

[8] When evaluating the formulation of jury instructions, we consider the instructions as a whole and review them for an abuse of discretion. *Gizoni v. Southwest Marine Inc.*, 56 F.3d 1138, 1142 n.5 (9th Cir. 1995). The instructions on trademark ownership set forth the general rule regarding the presumption in favor of the manufacturer: "Between a foreign manufacturer and its exclusive distributor, the law presumes that the foreign manufacturer is the owner or [sic] the trademark and/or trade dress unless there is an agreement to the contrary". RMC argues that this instruction was erroneous for two reasons. First, RMC claims that the instruction failed to notify the jury that ownership can be proven by an acknowledgment by Sengoku that RMC owned the mark. However, a later portion of the instruction indicates several factors to consider when determining ownership, including "admissions by the parties as to which one owns the trademark." We find that this instruction encompasses acknowledgment by Sengoku that RMC owned the mark.

Second, RMC claims that the instruction created an improper presumption, which allowed the jury to find that because Sengoku was the foreign manufacturer of the heaters, it was the owner of the mark, regardless of the evidence to the contrary. RMC correctly points out that the determinative issue on ownership is usually priority of use. *See Wrist-Rocket II*, 516 F.2d at 850 (When the issue "is who, as between the manufacturer and distributor, has ownership of a trademark created *after* formation of the business relationship . . . the dispositive question [is] which party has priority of appropriation and use of the trademark."). But in cases where neither side can establish priority of use, then the presumption in favor of the manufacturer applies.

[9] These instructions, taken as a whole, indicate that this presumption may apply here, but also that there are several

other factors to consider as well — such as the origin of the trademark, whether the defendant had federally registered the mark, which party consumers believed to be the source of the goods identified, and which party controlled the quality and design of the goods. As a result, we find that these instructions, taken as a whole, adequately cover the issues, correctly state the law, and are not misleading. *See Fikes v. Cleghorn*, 47 F.3d 1011, 1013 (9th Cir. 1995). We therefore hold that the district court did not abuse its discretion when it formulated the jury instructions regarding trademark ownership.

IV

For the foregoing reasons, we hold that the jury's verdict for Sengoku on trademark infringement is supported by substantial evidence, and is therefore AFFIRMED.

APPENDIX C

I hereby certify that this document was served by first class mail postage prepaid, to all counsel (or parties) at their respective most recent address of record in this action on this date.
Dated: 3/20/95

Deputy Clerk

ENTERED
MAR 22, 1995
Clerk, U.S. District Court
Central District of California
By Deputy

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

SENGOKU WORKS, LTD.,
Plaintiff,
v.
RMC INTERNATIONAL, LTD.,
et al.,
Defendants.

No. CV 94-3197-ER (Ex)
JUDGMENT ON JURY VERDICT

THIS CONSTITUTES NOTICE OF ENTRY
AS REQUIRED BY FRCP, RULE 77(d).

On March 7, 1995, this matter came on for trial before the Court and a jury, the Honorable Edward Rafeedie, District Judge, presiding.

On March 15, 1995, the Court granted Defendants' oral motion under Rule 50 of the Federal Rules of Civil Procedure for Judgment as a Matter of Law as to Plaintiff's claim for tortious interference with prospective business relations.

Plaintiff's remaining claims were submitted to the jury.

A verdict was duly reached by the jury on March 17, 1995. Based upon that verdict, the Court hereby ORDERS that Judgment in this case be entered as follows:

1. In favor of the Plaintiff Sengoku Works, Ltd. in the amount of $1,100,588.24, with interest thereon as provided by law, on Plaintiff's claim for breach of contract;

2. In favor of the Plaintiff Sengoku Works, Ltd. in the amount of $470,588.24, with interest thereon as provided by law, on Plaintiff's claim for infringement of trade dress;

3. In favor of the Plaintiff Sengoku Works, Ltd. in the amount of $1.00, with interest thereon as provided by law, on Plaintiff's claim for infringement of trademark KEROHEAT;

4. That the infringement of Plaintiff's CT-1100 product trade dress, CT-1100 packaging trade dress, and KEROHEAT trademark was found to be willful; and

5. That the Preliminary Injunction heretofore entered by the Court is made permanent; and

6. That Plaintiff shall have its costs of suit.

IT IS SO ORDERED.

IT IS FURTHER ORDERED that the Clerk of the Court shall serve, by United States mail, copies of this Order on counsel for the parties in this matter.

Dated: March 17, 1995

/s/ EDWARD RAFEEDIE
EDWARD RAFEEDIE
United States District Court Judge

APPENDIX D

NOT FOR PUBLICATION

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

FILED
NOV 13, 1996
Cathy A. Catterson, Clerk
U.S. COURT OF APPEALS

SENGOKU WORKS LTD., a corporation,
Plaintiff-counter-defendant
Appellee/Cross-Appellant,
v.
RMC INTERNATIONAL, LTD., a corporation;
MICHAEL RESMO; JOSEPH MALAGA,
Defendants-counter-plaintiffs
Appellants/Cross-Appellees.

No. 95-55990
D.C. No. CV-94-03197-ER
ORDER

Before: REINHART, HALL, and LEAVY,
Circuit Judges.

The petition for rehearing filed by appellant RMC International, Ltd., is hereby DENIED.

Appellant's motion for leave to file supplemental excerpts of record in support of the petition for rehearing is also DENIED.

APPENDIX E

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

FILED
JUL 20, 1994
Clerk, U.S. District Court
Central District of California
By Deputy

SENGOKU WORKS, LTD.,
Plaintiff,
v.
RMC INTERNATIONAL, LTD.,
et al.,
Defendants.

No. CV 94-3197-ER (Ex)

ORDER GRANTING PRELIMINARY INJUNCTION

This matter came before the United States District Court, the Honorable Judge Rafeedie presiding.

On July 1, 1994, hearing on plaintiff's motion for preliminary injunction was held. Based upon the papers filed in this matter and for the reasons stated in open court, IT IS HEREBY ORDERED:

Defendant RMC INTERNATIONAL, INC., and its officers, directors, employees, agents, partners, assignees, successors-in-interest, and/or any persons acting in concert with it, and defendants MICHAEL RESMO and JOSEPH MALAGA and any of their employees, agents, partners, assignees, successors-in-interest, and/or any persons acting in concert with them collectively or individually, are hereby enjoined and restrained from

engaging in the following activities anywhere in the United States and its territories:

(1) engaging in the duplication, distribution, importation, advertising, solicitation for sale, and/or sale of the KERONA heater, or any other kerosene heaters which is confusingly similar to the overall appearance of plaintiff's CT-1100 radiant kerosene heater.

(2) engaging in the duplication, distribution, importation, advertising, solicitation for sale, and/or sale of any kersoene heater packaging which is confusingly similar to the overall appearance of plaintiff's packaging associated with plaintiff's KEROHEAT line of kerosene heaters; and,

(3) engaging in the duplication, distribution, importation, advertising, solicitation for sale, and/or sale of any kersoene heater and/or kerosene heater packaging to which the KEROHEAT name has been affixed in any manner whatsoever.

The plaintiff shall post a bond for the preliminary injunction as provided by Federal Rule of Civil Procedure 65 and 65.1 in the amount of $300,000.

This preliminary injunction shall remain in effect until the further order of the Court.

IT IS SO ORDERED.

IT IS FURTHER ORDERED that the Clerk of the Court shall serve, by United States mail, copies of this Order on counsel for the parties in this matter.

Dated: 7/20/94, 1994

/s/ EDWARD RAFEEDIE
EDWARD RAFEEDIE
United States District Court Judge

NOT FOR PUBLICATION

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

FILED
AUG 29, 1994
Cathy A. Catterson, Clerk
U.S. COURT OF APPEALS

SENGOKU WORKS LTD., a corporation,
Plaintiff-Appellee,
vs.
RMC INTERNATIONAL, LTD., a corporation;
Defendant-Appellant.

No. 94-55980
D.C. No. CV-94-3197-ER
MEMORANDUM*

Appeal from the United States District Court
for the Central District of California
Edward Rafeedie, District Judge, Presiding

Submitted: August 23, 1994**

Before: WALLACE, Chief Judge, HUG and RYMER,
Circuit Judges.

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* This disposition is not appropriate for publication and may not be cited to or by the courts of this circuit except as provided by 9th Cir. R. 36-3.

** The panel finds this case suitable for decision without oral argument. Fed. R. App. P. 34(a); 9th Cir. R. 34-4.

RMC International, Ltd., appeals from a preliminary injunction prohibiting it from selling certain kerosene heaters and kerosene heater packaging pursuant to section 43 of the Lanham Act, 15 U.S.C. § 1125. This court has jurisdiction pursuant to 28 U.S.C. § 1292(a)(1). We review the district court's grant of the preliminary injunction for an abuse of discretion. *Sports Form, Inc. v. United Press International, Inc.*, 686 F.2d 750, 752-53 (9th Cir. 1982).

The district court properly found that appellee demonstrated a combination of probable success on the merits and the possibility of irreparable injury. *Rent-a-Center v. Canyon Television & Appliance*, 944 F.2d 597, 602 (9th Cir. 1991). We conclude that the district court did not abuse its discretion in issuing the preliminary injunction, and **AFFIRM**.

I hereby certify that this document was served by first class mail postage prepaid, to all counsel (or parties) at their respective most recent address of record in this action on this date.
Dated: 1/17/95

Deputy Clerk

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

FILED
JAN 17, 1995
Clerk, U.S. District Court
Central District of California
By Deputy

SENGOKU WORKS, LTD.,
Plaintiff,
v.
RMC INTERNATIONAL, LTD.,
et al.,
Defendants.

No. CV 94 3197-ER (Ek)

ORDER RE: PRELIMINARY INJUNCTION

Defendant's Motion to Increase Bond Pertaining to the Court's July 21, 1994 Preliminary Injunction and Plaintiff's Motion for Civil Contempt in connection with that same Preliminary Injunction came before the Honorable Edward Rafeedie on November 21, 1994.

At that hearing, the Court announced its tentative ruling as to that Motion, as well as its tentative ruling on Plaintiff's Motion for Civil Contempt. Based on the

argument of counsel and evidence and other matters presented at the hearing, the Court took both Motions under submission, and notified the parties that it would issue a written order on both Motions.

The Court has reconsidered its prior tentative ruling on the issue of civil contempt, for violation of this Court's July 21, 1994 Preliminary Injunction. After examining the exhibits presented by the parties, and entertaining argument at the earlier hearing, the Court concludes as follows:

1) The Court will stand by its tentative ruling that Defendants were not in contempt with respect to the heaters purchased by Mr. Richard Roetling on September 21 and September 28, 1994.

2) The Court also stands by its tentative ruling that Defendant's new packaging is "confusingly similar" to the KeroHeat packaging. Accordingly, the Court finds Defendants in contempt for using the new packaging.

3) The Court, however, has reevaluated its position with respect to the heaters themselves, and finds that the Dyna-Glo heaters are indeed "confusingly similar" to the KeroHeat heater. The Court notes that the heaters are nearly identical in overall appearance — although Defendants have changed the heater somewhat, they did not re-design the Dyna-Glo heater with differences sufficient to comply with the Order.

The change in color, the prominent display of the "Dyna-Glo" name, the change in shape of the ignition button and the color and shape of the re-set switch are simply not enough to overcome the similarity in overall appearance. Defendant's model looks like a slightly different version of Plaintiff's — perhaps last year's model, but one coming from the same source. The position of the wick adjustment, ignition and re-set switches; the accentuated offset of the burn chamber, the

use of a virtually identical base, and the similarity of labelling on the heaters all contribute to the confusing similarity. The test for confusing similarity does not focus on each individual element — and the minute distinctions between products — but rather it focuses on the "overall" appearance of the products. This Court finds that the overall appearance is still confusingly similar, and therefore that Defendants are in contempt for selling the Dyna-Glo heaters.

4) In connection with these findings, the Court orders as follows:

a) By January 23, 1995, Defendants shall issue a notice recalling all of its unsold Dyna-Glo radiant heaters, including those in the possession of distributors, retailers, middlemen, wholesalers or others who are not ultimate consumers; Defendants shall be subject to a fine of $1,000 per heater for any presently unsold heater that is sold after January 23, 1995 and as to which Defendant did not issue and attempt to enforce said notice of recall. Moreover, Defendants shall provide to the Court an accounting of all Dyna-Glo radiant heaters produced and their ultimate disposition by sale or recall, as well as an accounting of Defendant's profits related to sales of those heaters.

b) For the reasons announced in its tentative ruling on November 21, 1994, the Court will not award Plaintiff damages at this time, but will award Plaintiff reasonable attorney's fees in connection with its Motion for contempt. Plaintiff is directed to submit a request for attorney's fees in accordance with the Court's general order on attorney's fees.

5) The Court also stands by its tentative ruling with respect to the Motion to increase the bond. The Court will increase the amount of the bond to $600,000. Plaintiff is ordered to post the increased bond by January

23, 1995, or the preliminary injunction shall be dissolved.

IT IS SO ORDERED.

IT IS FURTHER ORDERED that the Clerk of the Court shall serve, by United States mail, copies of this Order on counsel for the parties in this matter.

Dated: January 17, 1995

/s/ EDWARD RAFEEDIE
EDWARD RAFEEDIE
United States District Court Judge

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

FILED
FEB 16, 1995
Cathy A. Catterson, Clerk
U.S. COURT OF APPEALS

SENGOKU WORKS LTD.,
Plaintiff/Counter-Defendant/
Appellee,

vs.

RMC INTERNATIONAL, LTD., et al.,
Defendants/Counter-Plaintiffs/
Appellants.

No. 95-55140
DC# CV-94-3197-ER
Central California

ORDER

Before: SCHROEDER, CANBY and LEAVY,
Circuit Judges

Appellee's motion to dismiss this appeal for lack of jurisdiction is granted. *See Weyerhaeuser Co. v. International Longshoremen's & Warehousemen's Union, Local 21*, 733 F.2d 645, 646 (9th Cir. 1984). All pending motions are denied as moot.

APPENDIX F

FEDERAL STATUES INVOLVED

15 U.S.C § 1125(a)
(Lanham Act, Section 43 (a))

Unregistered Marks; False or Misleading Descriptions and Representations

Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which —

> (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or
>
> (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities or geographic origin of his or her or another person's goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

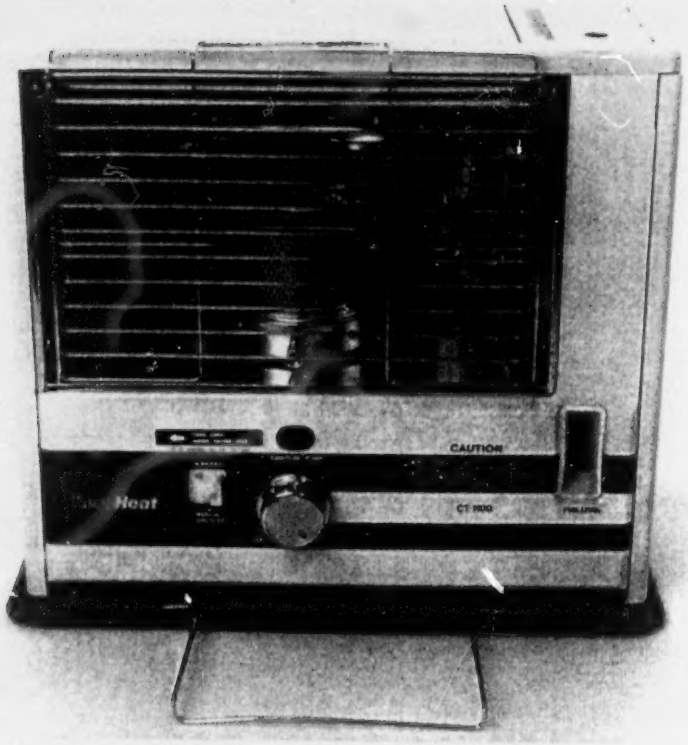
15 U.S.C. § 1057(b)

Certificate as prima facie evidence. — A certificate of registration of a mark upon the principal register provided by this Act shall be prima facie evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the certificate, subject to any conditions or limitations stated in the certificate.

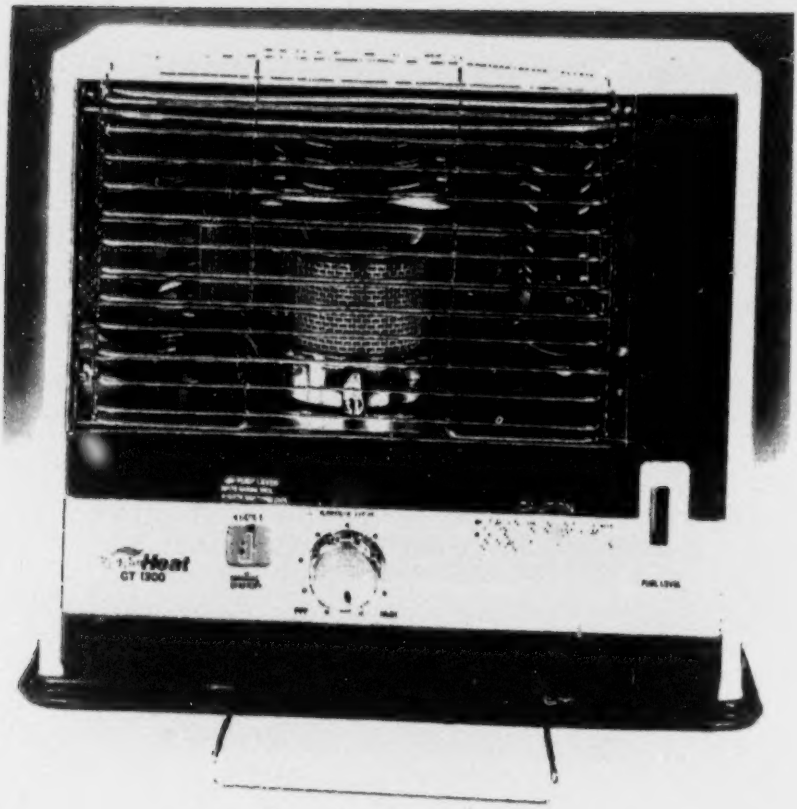
15 U.S.C. § 1115(a)

Any registration issued under the Act of March 3, 1881, or the Act of February 20, 1905, or of a mark registered on the principal register provided by this chapter and owned by a party to an action shall be admissible in evidence and shall be prima facie evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the registration, subject to any conditions or limitations stated therein, but shall not preclude another person from proving any legal or equitable defense or defect, including those set forth in subsection (b) of this section, which might have been asserted if such mark had not been registered.

APPENDIX G



SENGOKU MANUFACTURED
HEATER



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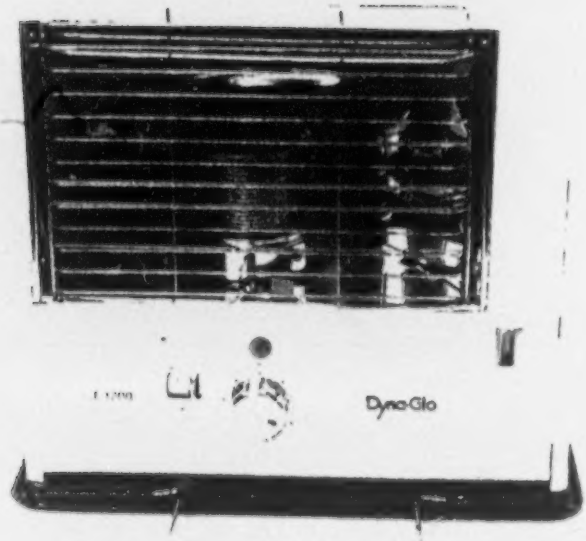
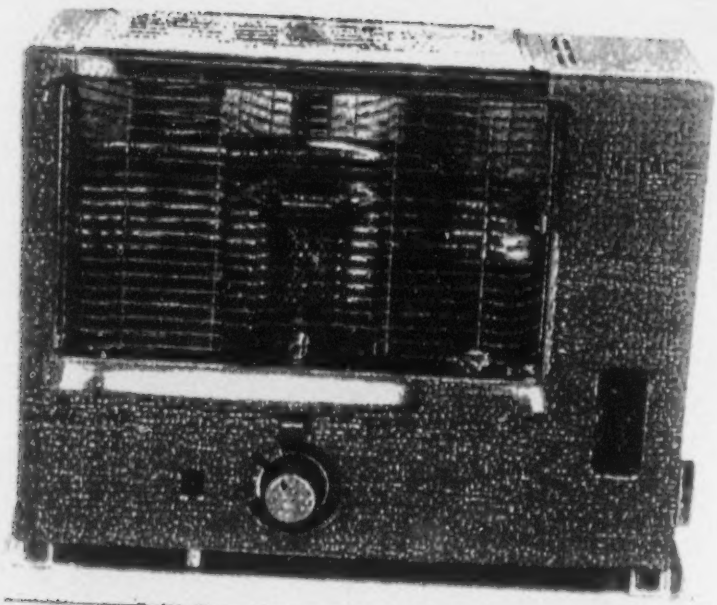
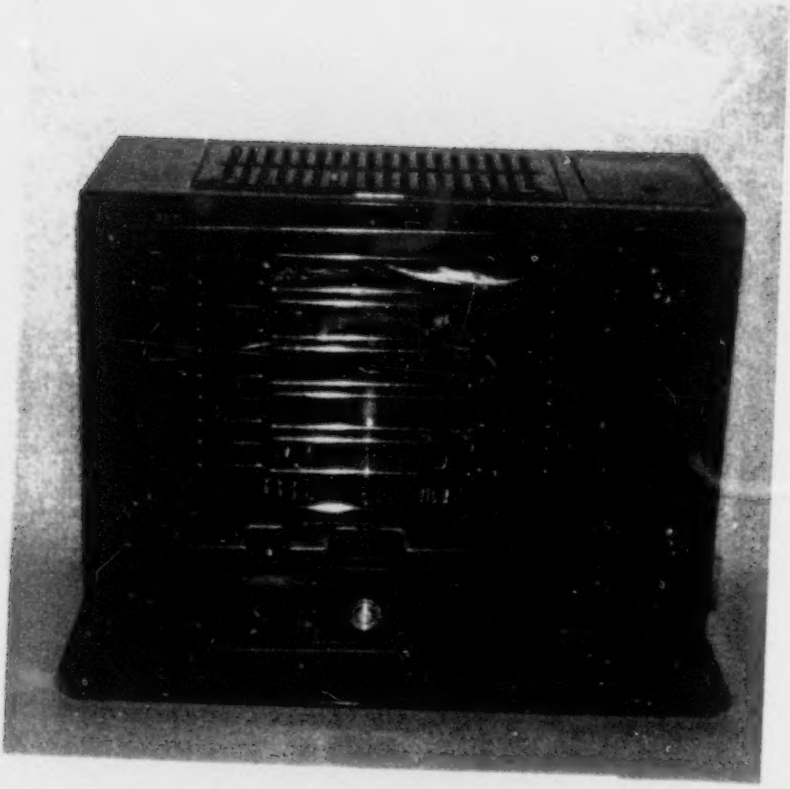
KEROHEAT HEATER



WOOSHIN MANUFACTURED
DYNA-GLO HEATER



FUKUSHIN HEATER



SANYO HEATER

TURCO MANUFACTURED
DYNA-GLO HEATER

APPENDIX H

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

- - - - - - -

HONORABLE EDWARD RAFEEDIE,
JUDGE PRESIDING

- - - - - - -

SENGOKU WORKS, LTD.,
PLAINTIFF,
VS.
R.M.C. INTERNATIONAL, LTD.,
ET AL.,
DEFENDANTS.

CASE NO. CV-94-3197-ER

[EXCERPTS FROM THE]
REPORTER'S TRANSCRIPT OF PROCEEDINGS
LOS ANGELES, CALIFORNIA

MONDAY, NOVEMBER 21, 1994

[Page 7, line 20 through Page 8, line 14]

* * * * *

[The Court:]

The court does not find that the heaters themselves are confusingly similar. Although the court notes that the heaters are indeed similar. And that the defendants have changed the allegedly infringing version of their heater rather than redesigning it altogether.

The court finds that the changes are sufficient to comply with the order.

The difference in color, the prominent display of the new Dyna Glo name, the change in the shape of the

ignition button and color, the shape of the reset switch are critical to this finding. The court notes that the model number remains similar to plaintiff's, and that the relative positioning of the wick adjustment switch, the ignition button, and the reset switch is also the same.

However, the test for confusing similarity does not focus on each element of a protected trade dress, but rather focuses on the overall appearance of the product.

The court is inclined to find that the overall appearance of the Defendant's product is no longer confusingly similar to the plaintiff's Keroheat heaters.

* * * * *

[Page 24, line 7 through Page 25, line 8]

* * * * *

[Mr. Trojan:]

What we brought these in to show the court is that the shape of our heater is distinctive compared to what is on the market.

And so when R.M.C. was making the heater with the same shape, it was identical to the shape of our heater.

The Court: The shape is not protectable, is it?

Mr. Trojan: It is.

The Court: Just the shape?

Mr. Trojan: That's our trade dress. That was what we fought over with the preliminary —

The Court: That includes more than the shape. The shape is rectangular —

Mr. Trojan: The overall appearance of a heater cavity in the upper, left-hand corner. A space on the right-hand side. None of those features appear in the other heaters that are on the market.

So when they go and have this heater, a diagram of this heater, that's the shape of our heater on the market.

And that's the overall appearance of our heater in this market.

To allow Wooshin duplicating the overall appearance with having the rectangular heater with the heater cavity offset in the upper, left-hand corner, with the switches in the same positions, that is duplicating our trade dress. You can see from looking at the other two heaters on the market, that every one has chosen a distinctive appearance.

* * * * *

[Page 38, lines 2-25]

* * * * *

[Mr. Weir:]

These people desire to comply with your order. And I think you can see from all the changes they made, the expenses that they incurred, above the bond, they were really trying to do it.

If you would like to hear Mr. Resmo, he would really like to —

The Court: Well, is he going to say something different than you said?

Mr. Weir: I don't believe so. But I believe you will find the man to be a credible, honest person who is sincere in his effort.

The Court: I have no doubt about that. These cases are always that way. These parties sometimes lack objectively. When they think they are curing a problem sometimes they are not, because they are looking at it a little differently.

The ultimate question is whether or not this is confusingly similar; that it is likely to deceive or mislead consumers in to believing they are buying one product rather than another. That is what the purpose of the law is, and that is the purpose of the injunction is to prevent

that and to protect consumers from being deceived from purchasing one product and getting another. You know that. That is the whole purpose.

* * * * *

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

- - - - - - -

HONORABLE EDWARD RAFEEDIE,
JUDGE PRESIDING

- - - - - - -

SENGOKU WORKS, LIMITED,
A CORPORATION,
PLAINTIFF,
VS.
RMC INTERNATIONAL, LIMITED
ET AL.,
DEFENDANTS.

CASE NO. CV-94-3197-ER

[EXCERPTS FROM THE]
REPORTER'S TRANSCRIPT OF PROCEEDINGS
LOS ANGELES, CALIFORNIA

WEDNESDAY, MARCH 8, 1995

[Page 49, line 23 through Page 50, line 2]

* * * * *

Mr. Trojan: Can I address the court on one issue? We will stipulate that there were radiant heaters that had the same general appearance as ours as late as the 1986 selling season. And '87 was the first year in which we had —

* * * * *

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

- - - - - - -

HONORABLE EDWARD RAFEEDIE,
JUDGE PRESIDING

- - - - - - -

SENGOKU WORKS, LIMITED,
PLAINTIFF,
VS.
RMC INTERNATIONAL, LIMITED,
ET AL.,
DEFENDANTS.

CASE NO. CV 94-3197-ER

[EXCERPTS FROM THE]
REPORTER'S TRANSCRIPT OF PROCEEDINGS
LOS ANGELES, CALIFORNIA

TUESDAY, MARCH 14, 1995
9:30 A.M.

[Page 164, line 1 through Page 166, line 14]

* * * * *

[Mr. Weir:]

"Q. And isn't it true that many radiant heaters have a wick adjustment knob?

[Mr. Watanabe:]

"A. They must have.

"Q. They must have it?

"A. Yes.

"Q. Why must they have one?

"A. Because it's U.S. regulation, Underwriter's — Underwriter's Laboratory regulation.

"Q. There is a regulations from Underwriter's Laboratory that requires a wick adjustment knob?

"A. Yes.

"Q. And is it also true that that wick adjustment knob is placed right in the middle of the front panel of the heater, right in front of the heating unit?

"A. Yes. That doesn't make sense to make it to the back.

"Q. It makes more sense to put it right there, doesn't it? That's the most efficient, commonplace to put it??

"A. Yes, um-hmm.

"Q. Right.

The radiant heaters that are sold also have a shut-off switch?

"A. Yes. Yes.

"Q. Is that also required by Underwriter's Laboratory?

"A. Yes.

"Q. And that shut-off switch is there so the person can turn it off, or if it tilts over, the whole thing will shut off?

"A. Um-hmm.

"Q. Okay.

And those switches are normally put right in the middle of the front panel, next to the wick control knob?

"A. Yes.

"Q. It makes sense to put them there because the way that it works is that it releases the wick adjustment, which allows the wick to drop down?

"A. Um-hmm.

"Q. That's how it shuts the thing off?

"A. Yes.

"Q. So from a design point of view, it makes — it's most efficient to put it right next to the wick adjustment knob?

"A. Yes.

"Q. The heaters that are radiant heaters that are also sold in the United States have push button starts — or starters, lighters, ignitors?

"A. Yes.

"Q. What do you call the, ignitors? What do you call them?

"A. Ignitors, yes.

"Q. Ignitors.

And there is usually a button that you have to push to ignite the wick?

"A. Yes.

"Q. And that button is also located in the front middle part of the panel?

"A. Yes.

"Q. And it's there because the ignitor has to touch the wick to light it, doesn't it?

"A. Yes.

"Q. So it makes sense from a manufacturing efficiency point of view to put the ignitor button right there in front of the wick?

"A. Yes. For a combination use.

* * * * *

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

- - - - - - -

HONORABLE EDWARD RAFEEDIE,
JUDGE PRESIDING

- - - - - - -

SENGOKU WORKS, LIMITED,
A CORPORATION,
PLAINTIFF,
VS.
RMC INTERNATIONAL, LIMITED,
ET AL.,
DEFENDANTS.

CASE NO. CV 94-3197-ER

[EXCERPTS FROM THE]
REPORTER'S TRANSCRIPT OF PROCEEDINGS
LOS ANGELES, CALIFORNIA

WEDNESDAY, MARCH 15, 1995

[Page 8, lines 10-20]

* * * * *

[Mr. Trojan:]

These heaters in front of you are ancient history. It is perfectly legitimate for us to say: Since 1987 we are the ones with exclusive rights to this tradedress. It is something that is evolved; like I talked about, tradedress rights evolve over time. And the fact that at one time in history this may have been in the public domain, that's not the issue.

Trade marks come and go into the public domain and out based upon use all the time. This tradedress when Sengoku's gone, will then go back into the public domain, but now it is their right.

* * * * *

APPENDIX I

STATE OF MICHIGAN
IN THE CIRCUIT COURT
FOR THE COUNTY OF BERRIEM

CRAIG L. CRAFT,
Plaintiff,
vs.
SENGOKU WORKS
COMPANY, LTD.,
RMC INTERNATIONAL, LTD.,
WAL-MART STORES, INC.,
and ANDREWS UNIVERSITY,
Defendants,
and
ANDREWS UNIVERSITY,
Defendant and
Third-Party Plaintiff,
vs.
MILTON ODOM and
DONNA ODOM,
Third-Party
Defendants,
and
THOMAS McCOY,
et al,
Plaintiffs,
vs.
RMC INTERNATIONAL,
et al,
Defendants.

File No: 92-3759-NI-G
Honorable
Casper O. Grathwohl

Consolidated for Discovery

File No: 92-3433-NI-G
Honorable
Casper O. Grathwohl

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* * * * *

DEFENDANT SENGOKU WORKS
COMPANY, LTD.'S ANSWERS TO
PLAINTIFF CRAFT'S FIRST INTERROGATORIES

* * * * *

Kunikazu Watanabe, being first duly sworn, deposes and says as follows in answer to Plaintiff Craft's First Interrogatories:

* * * * *

[Page 26, No. 64]

64. Please identify all patent, trademark, and/or technical assistance agreements and/or licenses regarding kerosene heaters between SENGOKU WORKS COMPANY, LTD. and RMC INTERNATIONAL. LTD. between 1989 and 1991.

ANSWER:

Sengoku agreed to place RMC trade name "Keroheat" on kerosene heaters distributed by RMC.

* * * * *

APPENDIX J

R. Joseph Trojan, Bar. No. 137067
L. Rae Connet, Bar. No. 156844
TROJAN LAW OFFICES
433 North Camden Dr., Suite 400
Beverly Hills, CA 90210
Telephone: (310) 281-1662

Attorneys for Sengoku Works, Ltd.

IN THE UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

SENGOKU WORKS, LTD.,
a corporation,
Plaintiff,
v.
RMC INTERNATIONAL, LTD.,
a corporation, MICHAEL RESMO,
an individual, JOSEPH MALAGA,
an individual, and DOES 1 to 50.
Defendants.

Civil Action No. 94-3197 ER (Ex)

OPPOSITION TO MOTION FOR PARTIAL SUMMARY JUDGMENT RE: FUNCTIONALITY ISSUE

Date: January 9, 1994
Time: 10:00 A.M.
Place: Courtroom 1

* * * * *

[Page 3, lines 17-20]

The relative positioning of the heater cavity, the manual shut off switch, the wick adjuster knob, the ignition switch, the fuel gauge, the front panel configuration, and the shape of the heater creates an overall appearance thtat is protected by trade dress.

* * * * *

APPENDIX K

R. Joseph Trojan, Bar. No. 137067
L. Rae Connet, Bar. No. 156844
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433 North Camden Dr., Suite 400
Beverly Hills, CA 90210
Telephone: (310) 281-1662

Attorneys for Sengoku Works, Ltd.

IN THE UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

Sengoku WORKS, LTD.,
a corporation,
Plaintiff,
v.
RMC INTERNATIONAL, LTD.,
a corporation, MICHAEL Resmo,
an individual, JOSEPH Malaga,
an individual, and DOES 1 to 50.
Defendants.

Civil Action No. 94-3197 ER (Ex)

PLAINTIFF'S SECOND AUGMENTED RESPONSES TO DEFENDANTS' FIRST SET OF INTERROGATORIES, NOS. 1 to 14.

* * * * *

[Page 2, line 27 through Page 3, line 7, and lines 24-28; Page 4, lines 1-9]

INTERROGATORY NO. 4:

State all facts which support Sengoku's contention that Sengoku has trade dress rights in any kerosene heater sold or distributed in the United States including the identity of any person having knowledge of any such facts and the identity of any documents supporting any such claim.

RESPONSE TO INTERROGATORY NO. 4:

Sengoku sets forth its contentions with respect to its ownership of the trade dress rights in its KEROHEAT heater and packaging:

* * * * *

With respect to the issue of non-functionality, the brochures from Sengoku and its competitors world wide, which have been provided, show that there are a variety of configurations that are possible other than having a heater cavity in the upper left corner of the heater, which is the dominate feature of the Sengoku radiant heater configuration. Other features including the positioning of the ignition switch, wick adjustment knob, and emergency shut off. The variety of alternative designs show that the configuration used by Sengoku for its trade dress is not functional. Sengoku also claims its model number designations as an independently protectible [sic] part of its trade dress. Sengoku will show that the trade dress configuration acquired secondary meaning by showing the large sales volume of the configuration in the United States and the absence of any other manufacturer using the same or similar configuration of a heater cavity in the upper left hand corner at least since the mid-1980's.

* * * * *

APPENDIX L

No. 95-55990
DC Number CV-94-3197 ER(Ex)

IN THE
UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

SENGOKU WORKS, LTD.,
Appellee,
v.
RMC INTERNATIONAL, LTD., a corporation,
MICHAEL RESMO, an individual,
JOSEPH MALAGA, an individual,
Appellants.

On Appeal from the Judgment of
The United States District Court
Central District of California
Honorable Edward Rafeedie

BRIEF FOR APPELLEE

R. Joseph Trojan, Esq.
L. Rae Connet, Esq.
J. Nicholas Gross, Esq.
Gordon E. Gray III, Esq.
TROJAN LAW OFFICES
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Beverly Hills, CA 90210
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Attorneys for Sengoku Works, Ltd.

* * * * *

[Page 20, lines 4-6]

The arrangement of the heater components (knobs, switches, controls) and the overall appearance (shape, color, location of grill, burner) was a matter of design choice, *Id.*

APPENDIX M

JURY INSTRUCTION: Trademark Ownership

* * * * *

The plaintiff, Sengoku Works, Ltd., seeks damages against the defendants, RMC International, Ltd., Joseph Malaga and Michael Resmo, for trademark and trade dress infringement. The defendants contend that the trademark and trade dress belong to the defendants, and therefore denies infringing the trademark and trade dress. To help you understand the evidence that will be presented in this case, I will explain some of the legal terms you will hear during this trial.,

A trademark is a word, a name, a symbol, a device, or a combination of them that indicates the source of goods or services. A trade dress is the overall appearance of a product that, in certain circumstances, can be protected because the appearance is closely identified with the owner's products. The owner of a trademark or trade dress has the right to exclude others from using that trademark or trade dress.

A person acquires the right to exclude others from using a trademark or trade dress by being the first to use it in the marketplace. Rights in a trademark or trade dress are obtained only through commercial use of the trademark or trade dress. The owner of a trademark or trade dress has the right to exclude from using the trademark or trade dress others unless it has been abandoned.

Once the owner of a trademark has obtained the right to exclude others from using the trademark, the owner may obtain a certificate of registration issued by the United States Patent and Trademark Office. Thereafter, when the owner brings an action for infringement, the owner may rely solely on the registration certificate to prove that the owner has the right to exclude others from

using the trademark in connection with the type of goods or services specified in the certificate.

In this case, the plaintiff, Sengoku Works Ltd., contends that the defendants, RMC International, Ltd., Joseph Malaga and Michael Resmo, have infringed plaintiff's trademark and/or trade dress. The plaintiff has the burden of proving by a preponderance of the evidence that plaintiff is the owner of a valid trademark/ trade dress and that the defendants infringed that trademark/trade dress.

* * * * *

On plaintiff's claim for trademark infringement, the plaintiff has the burden of proving each of the following by a preponderance of the evidence:

1. plaintiff began use of *KeroHeat* as a trademark;
2. defendant began to use the trademark thereafter in an area where plaintiff was selling the goods;
3. defendant's use of *KeroHeat* was without the consent of the plaintiff;
4. *KeroHeat* is inherently distinctive or has acquired a secondary meaning; and
5. defendant's use of *KeroHeat* is likely to cause confusion among ordinary purchasers as to the source of the goods.

Defendants own a federally registered trademark in the name *KeroHeat.* The Plaintiff contends that this registration should be cancelled because Defendant had no right to obtain the registration. Plaintiff must prove by a preponderance of the evidence that Defendant improperly obtained the registration, that is, that Defendant registered the trademark at a time when Plaintiff owned the rights to the mark.

Between a foreign manufacturer and its exclusive distributor, the law presumes that the foreign manufacturer is the owner or the trademark and/or trade dress unless there is an agreement to the contrary.

In private labeling, a dealer or merchant buys goods from a manufacturer and has the manufacturer apply the dealer's mark to the goods. Thus, a private label customer may own its own trademark or trade dress, even though it does not manufacture the goods. The fact that a manufacturer places a trademark or trade dress on a product does not give rise to ownership of that trademark or trade dress by the manufacturer.

Some factors you may consider in determining the ownership of a trademark or trade dress include:

1. the origin of the trademark, and which party (or its predecessor) used it first;

2. admissions by the parties as to which one owns the trademark;

3. any agreement between the parties as to the ownership of the mark;

4. whether Defendants have a valid registration of the trademark;

5. which party consumers understood to be the source of the goods identified by the trademark;

6. which party controlled the quality and design of the goods identified by the mark; and

7. any other evidence that tends to show which party is the owner of the mark.

* * * * *

(2)

Supreme Court, U.S.
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No. 96-1294

In The

Supreme Court of the United States

October Term, 1996

RMC INTERNATIONAL, LTD., a corporation,
MICHAEL RESMO, an individual,
JOSEPH MALAGA, an individual,

Petitioners,

vs.

SENGOKU WORKS, LTD., a corporation,

Respondent.

Petition For Writ Of Certiorari To The United States Court Of Appeals For The Ninth Circuit

BRIEF IN OPPOSITION

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I. STATEMENT OF THE CASE

RMC's Statement of the Case ignores several important facts. A brief restatement of the case is necessary:

Sengoku Works, Ltd. is a Japanese manufacturer of a variety of products from microwave ovens to kerosene heaters. Sengoku has been doing business in the United States since 1972 and selling heaters to the U.S. market under the KEROHEAT mark since 1983. The company's sales in 1994 were $120,000,000.00 world-wide. It has 320 employees and its own research and development department. The defendant RMC was created in 1985 to served as Sengoku's exclusive agent for the sale of kerosene heaters in the United States. In July, 1994, RMC was preliminarily enjoined from selling a radiant heater that was confusingly similar in appearance to the Sengoku's radiant heater and from using Sengoku's KEROHEAT trademark. The issuance of the preliminary injunction was based upon the following facts:

RMC had served as the exclusive distributor of Sengoku's kerosene heater line in the United States for at least eight years. In 1994, RMC took Sengoku's CT-1100 heater to Korea and had a cheap knock-off made. The knock-off duplicated the trade dress of the heater itself *and* the packaging, including the boxes in which the Sengoku heaters were sold, down to the last detail. The counterfeit heaters were so inferior in quality that they were being returned by consumers because their internal components were rusting out after only a few months of use.

The Court preliminarily enjoined the defendants from selling the counterfeit heater or any heater confusingly similar. RMC filed an emergency appeal of the preliminary injunction and the Ninth Circuit unanimously affirmed. Despite being enjoined and loosing the emergency appeal, RMC continued to market and sell counterfeit heaters to Sengoku's customers. The District Court found RMC in wilful contempt of the preliminary injunction, ordered a recall, and awarded Sengoku its attorney fees relating to the contempt.

The case was tried to a seven jury panel. Sengoku called a total of twelve witnesses. RMC called only two live witnesses, defendants Resmo and Malaga, and read from two deposition transcripts of Sengoku employees. At the conclusion of Sengoku's case, RMC voluntarily dismissed all of its counterclaims, which involved allegations of antitrust violations, unfair competition, trade libel, and breach of warranty. The jury rendered a verdict in favor of Sengoku for infringement of Sengoku's trademark and trade dress. With respect to the trade dress, the verdict was rendered for infringement of *both* the product appearance *and* for infringement of Sengoku's packaging – a critical fact that RMC ignores. (Writ App. C2)

Following the trial, RMC presented drawings to the district court that reflected cosmetic changes that RMC proposed to make to the exterior appearance of its radiant heater. (Opp. App. N1-N2) The district court approved the new design – another critical fact omitted from RMC's Writ. (Opp. App. O1-O2) The new design only changed the exterior appearance, the trade dress, of RMC's heater. The functional internal mechanisms and operation of the heater remain the same.

II. ARGUMENT

A. THE PERMANENT INJUNCTION DOES NOT PROVIDE PATENT-LIKE PROTECTION BECAUSE IT PERMITS RMC TO USE THE EXACT FUNCTIONAL FEATURES THAT RMC CLAIMS HAVE BEEN TAKEN FROM THE PUBLIC DOMAIN.

The basic thrust of RMC's Writ is that the scope of the trade dress injunction gives Sengoku patent-like protection covering the basic design for kerosene radiant heaters. RMC includes in its brief an internal drawing of a radiant heater to illustrate that the placement of such features as the burn chamber, fuel tank, and operating buttons are purely functional. RMC attempts to mislead this Court into believing that the district court enjoined RMC from incorporating these functional features into its product. Nothing could be farther from the truth. Following the trial, RMC presented drawings to the district court that reflected cosmetic changes that RMC proposed to make to the exterior appearance of its radiant heater. (Opp. App. N1-N2) The district court approved the new design – a critical fact omitted from RMC's Writ. (Opp. App. O1-O2) The new design changed the appearance of RMC's heater without requiring any change to the internal mechanisms or functional operation of the heater.

RMC's new heater is still a rectangular heater with a burn chamber on the left and a fuel tank on the right, yet it avoids the injunction. Moreover, RMC's new heater has competed very effectively in the market place ever since its introduction in 1995. Thus, the injunction has *not* provided patent-like protection or taken any functional features from the public domain as claimed by RMC. To the contrary, the injunction protects purely the cosmetic

appearance – the trade dress – of Sengoku's heater. As the Ninth Circuit explained, "contrary to RMC's claims, another manufacturer may still produce a rectangular shaped heater with a partial grill offset to the right – but in doing so, it may not copy every detail of Sengoku's trade dress." (Writ App. A9)

But instead of seeking review of the case that was actually litigated below, RMC has presented a hypothetical case to this Court involving a theoretical conflict between patent and trade dress law. One supposes that *if* the injunction had forbidden RMC from using the functional features necessary to operate a radiant heater, then there would be a conflict with the patent laws. But that never happened. The injunction only bars RMC from adopting trade dress that "is confusingly similar to the *overall appearance* of plaintiff's CT-1100 radiant kerosene heater". (Writ App. E2, emphasis added) Hence, the issues raised in RMC's Writ have nothing to do with *this* injunction in this case. Instead, RMC has raised general concerns relating to the interplay between patent and trade dress law. It is not the function of this Court to resolve abstract problems in the law. For this reason alone, the Writ must be denied.

Moreover, RMC completely ignores the fact that the judgment below is for infringement of not only the product trade dress, but also for infringement of the packaging trade dress (i.e., the appearance of the boxes in which the heaters were sold). (Writ App. C2) Therefore, any review of the product trade dress issue would have no effect on the outcome of this case because the damages would still stand based upon the trade dress infringement of the packaging. Additionally, now that RMC has

been using its own court-approved trade dress for the past two years, the issue of whether or not it should be permitted to use Sengoku's trade dress is now moot.

1. The Definition of Functionality Used in the Jury Instructions Was Taken Directly From Supreme Court Case Law.

RMC attacks the judgment below based upon the alleged functionality of the trade dress without providing this Court with the jury instruction relating to this very issue. The given functionality instruction states, in relevant part, "a trade dress is non-functional if, taken as a whole, the collection of trade dress elements is not essential to the product's use or does not affect the cost or quality of the product . . . ". (Opp. App. P1) This language was borrowed directly from the teachings of this Court in the case of *Inwood Laboratories, Inc. v. Ives Laboratory, Inc.*, 465 U.S. 844, 102 S.Ct. 2189, 72 L.Ed.2d 606 (1982). As the Supreme Court instructed in *Inwood*, "[a feature is functional] if it is essential to its use or purpose of the article or if it affects the cost or quality of the article." *Inwood Laboratories, Inc., supra,* 465 U.S., at 850 n. 10, 102 S.Ct., at 2187 n. 10.

In this case, the jury applied the rule of law set down by the Supreme Court and found that the collection of trade dress elements taken as a whole were not essential to the heater's use and did not affect the cost or quality of the heaters. This factual jury finding based upon substantial evidence cannot be disturbed without violating the Seventh Amendment.

If RMC had any complaint concerning the jury instruction relating to functionality, then it should have objected before the instruction was submitted to the jury. The district court specifically invited objections after the court provided counsel with a copy of the court's proposed jury instructions. (Opp. App. Q1) RMC failed to make any objection at all to the functionality instruction in order to preserve the issue for appeal as required by Fed.R.Civ.Proc. 51. (Opp. App. Q1-Q8) Hence, RMC waived any right to raise the issue of whether the jury should have been instructed to ignore the individual functional features of Sengoku's heater when deciding the overall functionality of the trade dress as now belatedly urged by RMC. *See Larson v. Neimi*, 9 F.3d 1397, 1399 (9th Cir. 1993) ("The requirement of Rule 51 that specific objections to instructions must be made before the jury retires is strictly enforced in the Ninth Circuit.").

2. RMC Has Misinterpreted Federal Preemption Law.

RMC argues that the preemption doctrine bars Congress from providing trade dress protection under the Lanham Act for a product's appearance if the product is primarily functional because such protection impinges upon the protections provided under the patent laws. There are three Supreme Court decisions that explain the role of preemption of unfair competition laws by federal patent law. The first two of these cases are known as the *Sears-Compco* cases. *See Sears Roebuck & Co. v. Stiffel*, 376 U.S. 225, 84 S.Ct. 784, 11 L.Ed.2d 661 (1964); *and, Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 84 S.Ct. 779,

11 L.Ed.2d 669 (1964). *Sears-Compco* held that states were preempted by the federal patent laws from providing patent-like protection to their citizens. More recently, the Supreme Court re-affirmed the basic principles set forth in *Sears-Compco* in the case of *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 488 U.S. 141, 109 S.Ct. 971, 103 L.Ed.2d 118 (1989). In *Bonito Boats,* the issue involved a Florida molding statute that was held to be unconstitutional. Under the state statute, Florida sought to prevent boat manufacturers from making molds using the hulls of their competitors. The Supreme Court found that Florida was granting patent-like protection to hull designs and properly concluded that such molding statutes were pre-empted by the federal patent laws.

As is evident from *Sears-Compco* and *Bonito Boats,* the preemption doctrine has only been applied in the patent context to state unfair competition statutes. Federal patent preemption has never been used as a tool to preempt a portion of another federal statute such as the Lanham Act. Yet, that is exactly what RMC is now urging this Court to do. The Court should reject the invitation because it has already decided the issue. As the Court explained in *Bonito Boats* itself, "the broadest reading of *Sears* would prohibit the States from regulating the deceptive simulation of trade dress . . . That the extrapolation of such a broad pre-emptive principle from *Sears* is inappropriate is clear from the balance struck in *Sears* itself." *Bonito Boats,* 488 U.S., at 154, 109 S.Ct., at 979.

Since the Supreme Court teaches that a state can offer such trade dress protection without impinging on the Patent Act, then certainly Congress is not preempted from providing such protection. Congress is free to create

overlapping statutory schemes in the area of design patents and trade dress protection if it so desires, which Congress did in fact do when it adopted Lanham Act § 43(a) [15 U.S.C. § 1125(a)]. Congress did not preempt itself by doing so. This very issue of patent preemption of the Lanham Act was addressed in *Kohler Co. v. Moen Inc.*, 12 F.3d 632 (7th Cir. 1993). In *Kohler Co.*, the Seventh Circuit explained,

> It could be argued that Congress could conceivably enact legislation conferring perpetual patent-like monopolies that would conflict with the patent clause's requirement that exclusive rights to authors and inventors be only 'for limited Times.' It is apparent, however, that perpetual **trademark protection under the Lanham Act for a product configuration or design is not the equivalent of impermissible perpetual patent protection**. *Kohler Co.*, 12 F.3d, at 643.

RMC has presented no arguments that would serve to undermine the analysis provided by the Seventh Circuit in *Kohler Co.* There simply is no basis for concluding that product configuration claims under the Lanham Act are preempted by the patent statute.

3. There is no Conflict between Trade Dress Law and Patent Law Because They Each Protect Different Policy Interests and Have Different Elements of Proof Tailored to Their Purpose.

The interplay between trade dress law and patent law has been fully explored by many courts. In *Kohler Co.*, *supra*, the Seventh Circuit provided an exhaustive analysis comparing protection for product configuration trade dress compared with protection granted under the patent

laws. The two forms of protection serve very different policy purposes and impose very different elements of proof upon the plaintiff to establish that a violation has occurred. *See Kohler Co.*, 12 F.3d, at 636-44. The Seventh Circuit rejected the same challenges that RMC is making here when it concluded that it could find "no reason for this court to hold that every court that has allowed federal trademark protection for product configurations was mistaken." *Kohler Co.*, 12 F.3d, at 643.

The case of *W.T. Rogers Co., Inc. v. Keene*, 778 F.2d 334 (7th Cir. 1985) is very similar factually to the present case and addressed many of the same issues that RMC has raised. In *W.T. Rogers Co.*, the defendant was a former sales representative for the plaintiff who duplicated the plaintiff's stacking office tray design just as RMC is Sengoku's former sales representative that has duplicated Sengoku's heater design. *Id.*, at 337. Obviously, office trays are very functional products just as radiant heaters are functional products.

The plaintiff in *W.T. Rogers Co.* sought federal trade dress protection for the shape of the stacking office tray that the former sales representative had knocked off just as Sengoku has obtained trade dress protection for its heater. The Seventh Circuit was not at all troubled by the overlap between patent and trade dress law, explaining, "The trademark owner has an indefinite term of protection, it is true, but in an infringement suit must also prove secondary meaning and likelihood of confusion, which the owner of a design patent need not do; *there is therefore no inconsistency between the two modes of protection.*" *Id.*, at 337 (emphasis added). The jury in the present case was properly instructed by the trial court that it was

Sengoku's burden to prove priority of use, non-functionality, secondary meaning, and likelihood of confusion. (Opp. App. P1) There was no impermissible extension of Sengoku's trade dress in violation of any patent policy.

The overlap between patent and trade dress protection was also addressed in *Abbott Laboratories v. Mead Johnson & Co.*, 971 F.2d 6 (7th Cir. 1992). Abbott marketed an oral electrolyte solution under the *Pedialyte* trademark in "translucent, square, quart-sized plastic bottles approximately eight inches high." *Id.*, at 20. Mead entered the market with a competing electrolyte solution using an identically shaped bottle. *Id.* Abbott claimed trade dress protection in the shape of the bottle. *Id.* The Court noted, "These bottles have traditionally been used by hospitals, nursing homes and other health care providers to contain sterile solutions . . . ". *Id.* In other words, the general shape of the bottle was in the public domain. Yet, this fact was not a bar to Abbott's claim for trade dress protection. So long as Abbott could prove non-functionality, secondary meaning, and a likelihood of confusion, Abbott had a right to claim trade dress protection in the shape of its bottle. *Id.*

Applying the law to this case, Sengoku had a right to assert trade dress protection so long as Sengoku proved non-functionality, secondary meaning, and confusing similarity. *See Intern'l Jensen, Inc. v. Metrosound U.S.A., Inc.*, 4 F.3d 819, 823 (9th Cir. 1993). It is not appropriate for this Court to review the jury's findings on these issues because each element of trade dress infringement involves an issue of fact. For instance, in *Bauer Lamp Co., Inc. v. Shaffer*, 941 F.2d 1165 (11th Cir. 1991), an exclusive

distributor knocked off the design for a lamp made by the manufacturer that the distributor had formerly represented. The jury found that the lamp design was protectible trade dress. On appeal, the Eleventh Circuit concluded, "Since each element [of trade dress infringement] is fact sensitive, we cannot reverse the jury verdict 'absent clear error.' " *Bauer Lamp Co.*, 941 F.2d, at 1170. The Eleventh Circuit affirmed. Just as in *Bauer Lamp Co.*, there was ample evidence here to support the jury's finding of trade dress infringement.

4. Sengoku Provided the Jury With Substantial Evidence to Satisfy all the Traditional Elements of a Claim for Trade Dress Configuration Infringement.

a. Substantial Evidence Supports the Jury's Finding of Non-Functionality.

Sengoku presented substantial evidence to the jury to show that the heater design was nonfunctional. The issue of functionality is an issue of fact for the jury. *See Vision Sports, Inc. v. Melville Corp.*, 888 F.2d 609, 614 (9th Cir. 1989) ("Functionality is an issue of fact"), *see also, Vuitton Et Fils S.A. v. J. Young Enterprises, Inc.*, 644 F.2d 769, 775 (9th Cir. 1981) ("The issue of functionality has consistently been treated as an issue of fact."). Much of the evidence of non-functionality was in the form of alternative designs. Alternative designs are considered to be a very important factor in determining functionality. *See Hartford House, Ltd. v. Hallmark Cards, Inc.*, 846 F.2d 1268, 1273 (10th Cir. 1988) (The availability of alternative designs is a "key factor in determining that a trade dress is nonfunctional."). There were numerous examples of

different heater designs evidenced by pages taken from heater catalogs and owner's manuals, which demonstrated that other competitors over the years have been able to come up with their own designs. Furthermore, a Sengoku design engineer testified extensively about the design alternatives that he considered when he came up with his own design for Sengoku. Another Sengoku design engineer testified that there was no cost advantage to the Sengoku design.

When the defendant Mead complained in *Abbott Laboratories, supra,* just as RMC does here, that there simply were no other equally efficient designs, the Seventh Circuit posed the question of "whether Mead's limited options were the result of its own failure to timely develop or seek out reasonable alternatives." *Id.,* at 22. The evidence at trial in this case answered that question. The evidence clearly showed that RMC made no effort "to timely develop or seek out reasonable alternatives". *Id.,* at 22. RMC simply copied Sengoku's design.

That fact that all kerosene heaters include functional elements is not the issue. In *Fuddruckers, Inc. v. Doc's B.R. Others, Inc.,* 826 F.2d 837 (9th Cir. 1987), the Ninth Circuit explained, "We examine trade dress as a whole to determine its functionality [citation omitted]; *functional elements that are separately unprotectible can be protected together as part of a trade dress." Id.,* at 842 (emphasis added). Just as in *Fuddruckers,* some of the individual elements of Sengoku's trade dress have a function. However, the overall *positioning* of all of the functional elements and their *relationship* to each other is a matter of design choice and can serve as trade dress. *See Lisa Frank, Inc. v. Impact Intern'l, Inc.,* 799 F.Supp. 980, 986 (D.Az.

1992). This is exactly what the testimony of Sengoku's design team demonstrated at trial. The arrangement of the heater components (knobs, switches, controls) and the overall appearance (shape, color, location of grill, burner) was a matter of design choice. *Id.*

The Ninth Circuit was confronted with a similar trade dress issue in *Clamp Mfg. Co., Inc. v. Enco Mfg. Co., Inc.*, 870 F.2d 512 (9th Cir. 1989). In *Clamp Mfg.*, the jury found the design for a standard C-clamp to be protectible trade dress because the plaintiff demonstrated there were *alternative* C-clamp designs that could have been adopted by the defendant. Just as in *Clamp Mfg.*, Sengoku presented substantial evidence to the jury of alternative designs. The jury accepted that evidence as credible on the issue of non-functionality. There was no error.

b. Substantial Evidence Supports the Jury's Finding of Secondary Meaning.

Each one of the heater industry witnesses testified regarding the fact that buyers identify the shape of CT-1100 heater with Sengoku. This is the very definition of secondary meaning. The large sales volume of heaters sold by Sengoku over the years was also strong evidence that the design had acquired secondary meaning. *See Vaughan Mfg. Co. v. Brikam Intern'l, Inc.*, 814 F.2d 346 (7th Cir. 1987) (Secondary meaning in appearance of card table proven by large sales volume).

Furthermore, the jury was entitled to infer the existence of secondary meaning from RMC's direct copying of the Sengoku design. RMC had Sengoku's heater sent to Korea for Wooshin to copy so that RMC could exploit the

goodwill that Sengoku had spent years developing. As the Ninth Circuit instructs, "There is no logical reason for the precise copying save an attempt to realize upon a secondary meaning that is in existence." *Audio Fidelity, Inc. v. High Fidelity Recordings, Inc.*, 283 F.2d 551, 558 (9th Cir. 1960), *see also, Vision Sports, Inc. v. Melville Corp.*, 888 F.2d 609, 615 (9th Cir. 1989) ("we have held that proof of copying strongly supports an inference of secondary meaning."); *and, Transgo, Inc. v. Ajac Transmission Parts Corp.*, 768 F.2d 1001, 1016 (9th Cir. 1985) ("Proof of exact copying, without any opposing proof, can be sufficient to establish a secondary meaning."). As the fact finder, the jury weighed the evidence and concluded that secondary meaning did exist. There was substantial evidence to support this reasonable conclusion.

c. Substantial Evidence Supports the Jury's Finding of Likelihood of Confusion.

Since 1985, the issue of likelihood of confusion has been a question of fact in the Ninth Circuit. *See Levi Strauss & Co. v. Blue Bell, Inc.*, 778 F.2d 1352 (9th Cir. 1985); *Fuddruckers, Inc.*, 826 F.2d, at 846 (Finding sufficient support in record for jury verdict on issue of confusion.). With respect to the issue of likelihood of confusion, Professor McCarthy teaches that the jury can simply draw its own conclusion based upon a comparison of the products. *See McCarthy on Trademarks*, § 23.20[2]. As McCarthy explains, "it would not be necessary for any witness to testify to instances of actual confusion . . . the decision-maker can decide the issue by

inspection of the conflicting marks and their manner of use." *Id.* Hence, the jury was free to compare the trade dress at issue and come to its own conclusion regarding whether the trade dress of the heaters was confusingly similar, which it did.

In addition, industry witnesses testified to their own confusion and regarding confusion among dealers who were confusing parts orders. Industry witnesses further testified that consumers rely on the shape of the heaters when making a purchase. The combination of the jury's own assessment and the testimony regarding actual confusion in the market place was more than sufficient evidence to support the jury's verdict.

B. THE JURY WAS PROPERLY INSTRUCTED CONCERNING THE ISSUE OF TRADEMARK OWNERSHIP.

1. RMC Has Failed to Present the Jury Instruction Addressing the Rights Conferred by a Federal Trademark Registration.

RMC complains that the district court failed to instruct the jury concerning the statutory presumption that a federal registration is prima facie evidence of the registrants rights in the mark. *See* 15 U.S.C. § 1057(b). RMC is wrong. The instruction was given. But RMC has not provided it to this Court. The jury instruction states in relevant part, "the owner may obtain a certificate of registration issued by the United States Patent and Trademark Office. Thereafter, when the owner brings an action for infringement, the owner may rely solely on the registration certificate to prove that the owner has the right to

exclude others from using the trademark". [Opp. App. R1-R2] This is a fair and accurate explanation of the statutory presumption contained in 15 U.S.C. § 1057(b). *See George v. City of Long Beach*, 973 F.2d 706, 708 (9th Cir. 1992) ("Jury instructions are reviewed for an abuse of discretion to determine if they are misleading or inadequate.") RMC never objected to this instruction at the jury instruction conference. (Opp. App. Q1-Q8) There was no error.

The fact that RMC never objected to the instruction means any objection now has been waived. Fed.R.Civ. Proc. 51 requires that specific objections be made to jury instructions before the case is given to the jury. The Ninth Circuit has repeatedly reminded trial counsel, "This court has enjoyed a reputation as the strictest enforcer of Rule 51." *Hammer v. Gross*, 932 F.2d 842, 847 (9th Cir.) (*en banc*), *cert. denied*, 502 U.S. 112 S.Ct. 582, 116 L.Ed.2d 607 (1991), *see also, Larson v. Neimi, supra*, 9 F.3d, at 1399 ("The requirement of Rule . . . 51 that specific objections to instructions must be made before the jury retires is strictly enforced in the Ninth Circuit.").

At the jury instruction conference, the trial court twice requested that counsel state any objections they may have to the jury instructions. On the first occasion, the court stated, "Now finally, you have been provided with a copy of the tentative jury instructions, as well as the proposed verdict form. Are there any objections or anything you wish to say for the record at this time?" (Opp. App. Q1) RMC responded by raising several issues, none of which involved a request that the presumption as stated be modified. (Opp. App. Q1-Q8) Later in the conference when the discussion had become argumentative

in the district court's view, the court repeated, "I'm giving you an opportunity to suggest what other objections you have, but don't engage in any argument because it is unpersuasive." (Opp. App. Q5) RMC made additional objections, but none mentioned the statutory presumption. (Opp. App. Q5-Q8) As a result, RMC failed to preserve the issue for appeal. *See United States v. Parsons Corp.*, 1 F.3d 944, 945 (9th Cir. 1993) ("But it's one thing to tell the district judge your preferences, and quite another to object when he disregards them.").

2. The Jury Instruction on Trademark Ownership Was a Proper Statement of the Law.

Even if RMC had objected properly, it would have made little difference because the jury instructions taken as a whole were proper for the following reasons: At trial, RMC insisted that the KEROHEAT mark was RMC's private label. Sengoku contended that it was the owner of the mark as the foreign manufacturer of the goods and RMC was nothing more than its exclusive distributor in the United States. The Court gave the jury a balanced instruction explaining the legal basis for both private label rights and the rights of foreign manufacturers and their exclusive U.S. distributors. (Writ App. M1-M3) The jury found that RMC was Sengoku's exclusive U.S. distributor and rejected RMC's private label theory. This was a factual determination made by the jury that was supported by substantial evidence and it cannot be disturbed on appeal.

Moreover, the jury instruction given is supported by a substantial body of law. The Trademark Trial and

Appeal Board has routinely voided trademark registrations when they are improperly obtained in the name of a U.S. distributor. As the Board teaches, "It has been consistently held that as between a foreign manufacturer and its exclusive United States distributor the foreign manufacturer is considered to be the owner of the mark unless agreement between them provides otherwise." *In re Eucryl Ltd.*, 193 U.S.P.Q. 377, 378 (T.T.A.B. 1976) (unpub.).

If the Court were to adopt RMC's opposing view of the law, then it would require that the United States Patent and Trademark Office change its long established procedures for examining trademark applications submitted by U.S. applicants that seek to register marks for products that are made overseas. (Opp. App. S1-S4) Contained in § 1201.06 of the Trademark Manual of Examining Procedure (MPEP) are the same factors for determining ownership identified by the district court in the jury instruction. RMC never informed the Trademark Office that it was *not* the manufacturer of the heaters as required by MPEP § 1201.06. As a result, the Trademark Office issued RMC's trademark registration without knowing that RMC was not the manufacturer. If the Trademark Office had been properly informed at the time the application was submitted, the application would not have been approved.

RMC is in the same position as the plaintiff in *Spencer v. VDO Instruments, Ltd.*, 352 F.2d 784 (6th Cir. 1965). In *Spencer*, the plaintiff was an importer of the manufacturer's product and the importer had obtained a U.S. trademark registration for the manufacturer's trademark. The Sixth Circuit held the importer's registration to be

void, explaining, "plaintiff and his predecessors in interest were nothing more than importers under a license that was terminable at the will of the licensor [manufacturer]. He obtained no rights of ownership under which he was entitled to register the trade-mark as his own." *Spencer*, 352 F.2d, at 786. Likewise, RMC's trademark registration for KEROHEAT is void because RMC never acquired any rights in Sengoku's mark merely by selling Sengoku's product.

RMC's continued use of the KEROHEAT trademark was a clear infringement of Sengoku's rights. *See McCarthy on Trademarks and Unfair Competition, supra,* § 29.02 ("When the U.S. distributor agreement expires, the U.S. distributor has no right to continue use of the mark. A federal registration granted to such an ex-distributor is void ab initio."), *see also, Spencer v. VDO Instruments, Ltd.*, 232 F.Supp. 735, 737 (E.D.Mich. 1964) (Exclusive distributor's trademark registration only good " 'during the period of his exclusive use.' "); *and, Energy Jet, Inc. v. Forex Corp.*, 589 F.2d 1110 (E.D.Mich. 1984) (Former distributor enjoined from using manufacturer's trademark). As McCarthy explains, in the absence of an assignment of some kind, "all rights to the trademark in the United States are presumed to be in the foreign manufacturer." *McCarthy, supra,* § 29.02. Hence, it was perfectly proper for the jury to conclude that RMC's trademark registration for the KEROHEAT mark did not shield it from liability after RMC ceased to be Sengoku's authorized representative.

III. CONCLUSION

For all the foregoing reasons, Sengoku respectfully requests that RMC's Writ be denied.

Respectfully submitted,

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May 19, 1997

APPENDIX N

N1

CONFIDENTIAL
FOR ATTORNEY'S EYES ONLY

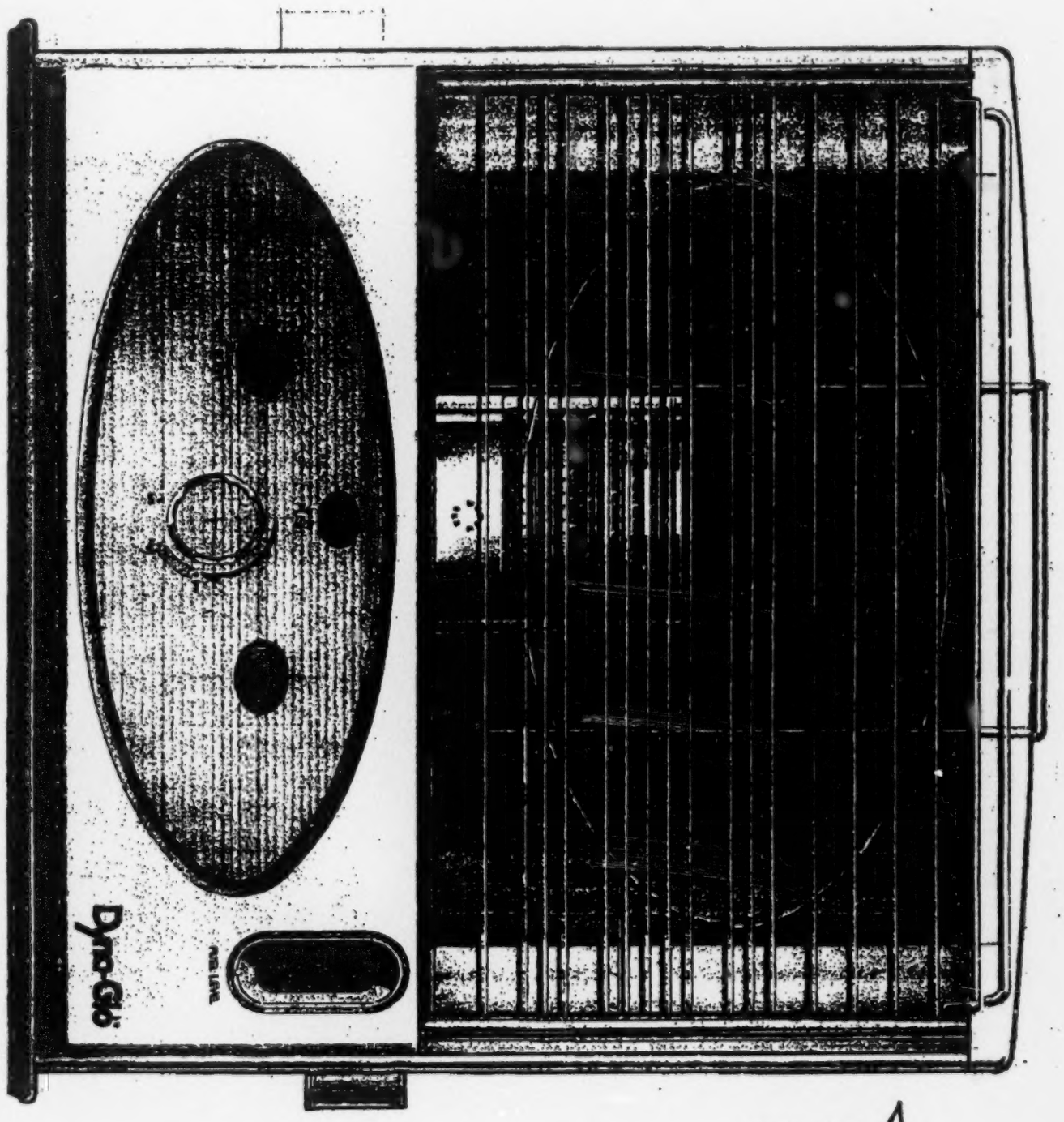

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EXHIBIT A
PAGE 5

(B)

N2

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FOR ATTORNEY'S EYES ONLY

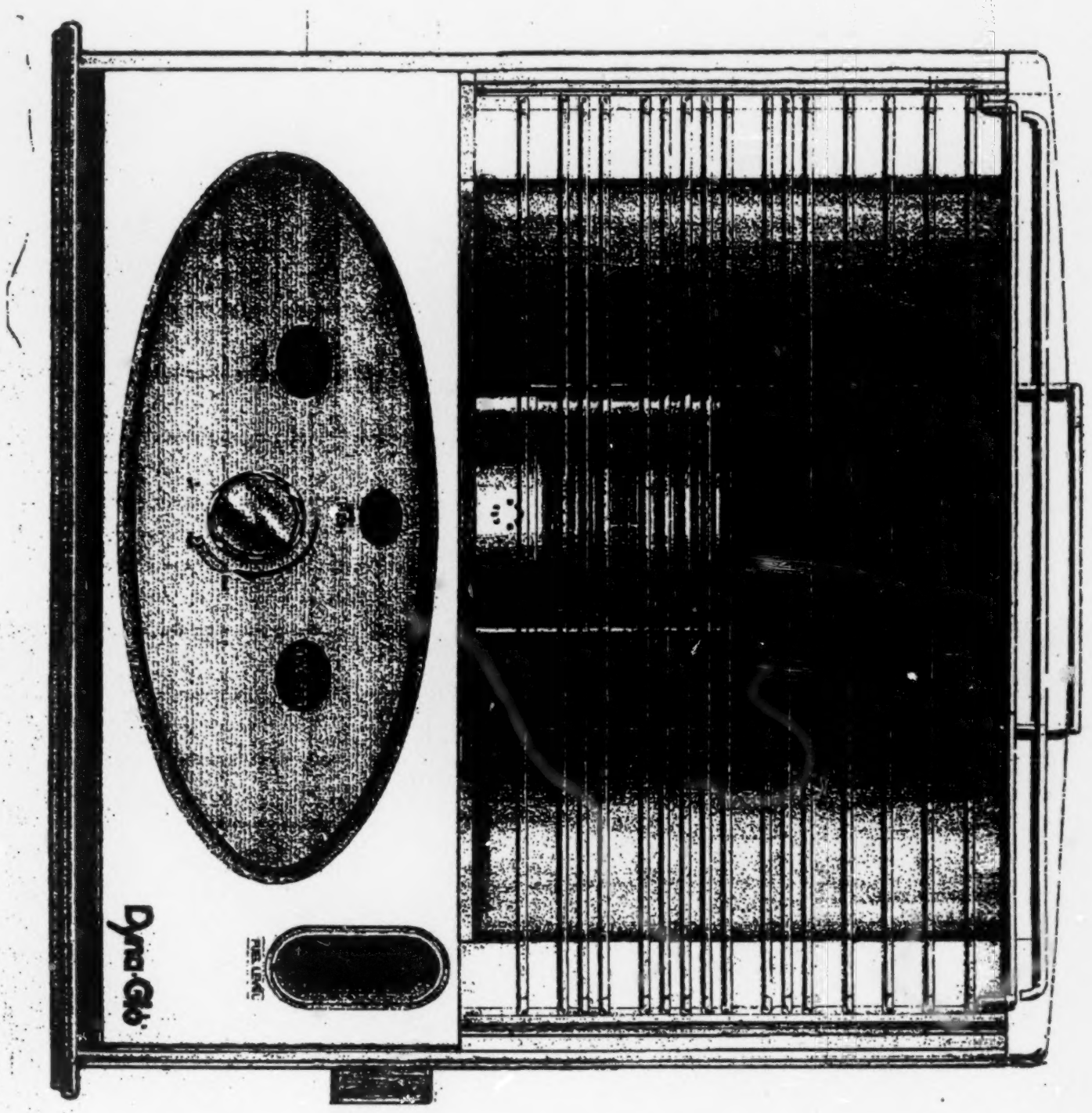

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EXHIBIT A
PAGE 4

APPENDIX O

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UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

THE WESTERN DIVISION

SENGOKU WORKS LTD., a corporation, and DOES 51-100 Plaintiff and Counterdefendant, v. RMC INTERNATIONAL, LTD., a corporation, MICHAEL RESMO, an individual, JOSEPH MALAGA, an individual and DOES 1-50 Defendants and Counterplaintiffs.	Case No. CV 94 3197 ER (EK) **ORDER GRANTING DEFENDANTS; MOTION FOR JUDICIAL APPROVAL OF RMC'S MODIFIED DYNA-GLO RMC-55R RADIANT HEATER** Date: May 1, 1995 Time: 10:00 a.m. Crtm: No. 1, Before the Honorable Judge Edward Rafeedie (Filed June 12, 1995)

The Court, having considered Defendants' motion for judicial approval of RMC's modified *Dyna-Glo* RMC-55R radiant heater and having found good cause thereon, hereby grants Defendants' motion. Defendants' *Dyna-Glo* RMC 55R radiant heater is not confusingly similar to the CT-1100 radiant heater and therefore does not fall within the injunction in place in this case.

Dated: June 12, 1995

/s/ EDWARD RAFEEDIE
HON. EDWARD RAFEEDIE
UNITED STATES DISTRICT COURT

Presented By:

/s/ Alan P. Block
Alan P. Block, a member of
POMS, SMITH, LANDE & ROSE
Professional Corporation

Attorneys for
RMC INTERNATIONAL, LTD,
Michael RESMO, and Joseph MALAGA

APPENDIX P

On plaintiff's claim for trade dress infringement, the plaintiff has the burden of proving each of the following by a preponderance of the evidence:

1. plaintiff began to use the CT-1100 radiant kerosene heater trade dress for its radiant kerosene heaters;

2. defendant began to use its own radiant kerosene heater trade dress thereafter;

3. defendant's use of its trade dress was without the consent of the plaintiff;

4. plaintiff's trade dress is non-functional;

5. plaintiff's trade dress is inherently distinctive or has acquired secondary meaning; and

6. defendant's trade dress is likely to cause confusion among ordinary purchasers as to the source of plaintiff's and defendant's goods.

Trade dress is the non-functional physical detail and design of a product or its packaging, which indicates or identifies the product's source and distinguishes it from the products of others.

Trade dress includes color schemes, textures, sizes, designs, shapes, and placements of words, graphics, and decorations on a product or its packaging.

A trade dress is non-functional if, taken as a whole, the collection of trade dress elements is not essential to the product's use or does not affect the cost or quality of the product even though certain particular elements of the trade dress may be functional.

A person or company who uses the trade dress of another may be liable for damages.

APPENDIX Q

[p. 5] BUT IT DOES NOT HAVE TO BE AN EXHIBIT.

NOW FINALLY, YOU HAVE BEEN PROVIDED WITH A COPY OF THE TENTATIVE JURY INSTRUCTIONS, AS WELL AS THE PROPOSED VERDICT FORM.

ARE THERE ANY OBJECTIONS OR ANYTHING YOU WISH TO SAY FOR THE RECORD AT THIS TIME?

MR. WEIR: YES, YOUR HONOR, ON THE PROPOSED JURY FROM THE LAST ISSUE PLAINTIFF'S CLAIM FOR –

THE COURT: WHICH FORM?

MR. WEIR: THE PROPOSED JURY FORM.

THE COURT: VERDICT FORM?

MR. WEIR: YES.

THE LAST ISSUE, PLAINTIFF'S CLAIM FOR INFRINGEMENT OF THE KEROHEAT TRADEMARK. THEIR CLAIM IS ONE FOR CANCELLATION OF THE KEROHEAT TRADEMARK. THERE IS NOT A CLAIM FOR DAMAGES RELATED TO IT. THE ISSUE FOR THE JURY REALLY IS WHETHER OR NOT PLAINTIFF OWNS THE KEROHEAT –

THE COURT: YOU DIDN'T SUBMIT AN INSTRUCTION TO THAT EFFECT.

IS THAT CORRECT?

MR. TROJAN: NO, THAT'S NOT CORRECT, YOUR HONOR.

THE COURT: WHAT IS NOT CORRECT?

MR. TROJAN: THIS HAS BEEN A TRADEMARK-TRADEDRESS INFRINGEMENT SUIT FROM THE VERY BEGINNING.

THE COURT: YOU ARE TALKING ABOUT THE USE OF THE [p. 6] MARK KEROHEAT.

MR. TROJAN: RIGHT.

WE HAVE A HEATER THAT'S MADE BY WOOSHIN WITH KEROHEAT ON IT. OF COURSE WE ARE SUING FOR THE INFRINGEMENT OF THAT REGISTRATION.

THE COURT: I THINK THAT'S RIGHT.

MR. WEIR: JUST NOTE MY OBJECTION. THE COMPLAINT SAYS IT IS ONE FOR CANCELLATION. DOESN'T ALLEGE THAT. THE PRETRIAL CONFERENCE ORDER SAYS THAT IT IS FOR CANCELLATION AND DOESN'T RAISE THOSE ISSUES.

THE COURT: TO THE EXTENT IT'S BEEN TRIED ON THAT THEORY, THE COURT WOULD MAKE ANY NECESSARY AMENDMENT TO ALLOW THE THEORY TO PROCEED TO THE JURY.

IS THERE ANY OTHER INSTRUCTION?

MR. WEIR: ALSO ON THE ISSUE OF TRADEDRESS INFRINGEMENT AND KEROHEAT, IMPORTANT ISSUE ON BOTH OF THOSE IS TRADEMARK OWNERSHIP, WHO OWNS THE RIGHTS. WOULD THE COURT BE INCLINED TO ASK A QUESTION – WHAT WE WOULD LIKE TO SEE IS A QUESTION: HAS PLAINTIFF SHOWN BY A PREPONDERANCE THAT THEY ARE THE OWNER OF THE MARK?

THE COURT: I THINK THAT'S COVERED BY THESE INSTRUCTIONS. IF THEY SHOW INFRINGEMENT IMPLICITLY THAT - THE INSTRUCTIONS GIVEN TO THEM TELLS THEM THE PARTY THAT USES IT HAS THE RIGHT TO EXCLUDE OTHERS FROM USING IT, AND I THINK THAT THAT IS ALL THAT IS REQUIRED.

[p. 7] MR. SHAPIRO FROM OUR OFFICE HAS BEEN WORKING ON THE JURY INSTRUCTIONS. I THINK HE HAS JUST A FEW POINTS.

MR. SHAPIRO: THANK YOU, YOUR HONOR.

STEVEN SHAPIRO FROM POMS, SMITH, LANDE AND ROSE.

WE JUST HAVE A FEW COMMENTS REGARDING THE TENTATIVE INSTRUCTIONS.

WITH RESPECT TO BAJI 10.56 WHICH DEALS WITH THE CONTRACT MAY BE EXPRESSED OR DENIED IN FACT. IT IS OUR POSITION, AND IT HAS BEEN ALL ALONG, THE COMPLAINT ONLY DEALS WITH A WRITTEN AGREEMENT. IT DOESN'T DEAL WITH ANY IMPLIED IN FACT. AND THAT HAS ALSO BEEN NOTED IN OUR PRETRIAL CONFERENCE ORDER.

AND JUST WANTED TO CLARIFY THAT'S BEEN OUR POSITION ALL ALONG THAT THAT'S ISSUE -

THE COURT: JUST MAKE YOUR POINT, COUNSEL, AND MOVE ON.

WHAT ELSE?

MR. SHAPIRO: YOUR HONOR, YOU HAVE A PARTIAL PERFORMANCE PART OF THE AGREEMENT DEALING WITH THE STATUTE OF FRAUDS. AND OUR UNDERSTANDING OF THE LAW IS WITH REGARD TO COMMERCIAL CODE SECTION 2201, IT HAS A SPECIFIC PROVISION THAT COVERS THIS, AND IT'S NOT ACTUALLY PARTIAL PERFORMANCE THAT WOULD TAKE IT OUT OF THE STATUTE OF FRAUDS, BUT IT WOULD HAVE TO BE SHOWN BY SENGOKU THAT THEY ACTUALLY DELIVERED PRODUCT. THAT WOULD BE THE PARTIAL [p. 8] PERFORMANCE, AND IT IS EXPRESSLY STATED IN THAT PROVISION, THE COMMERCIAL CODE.

OUR CONCERN IS, IS THAT WITH THIS PROVISION THERE IS GOING TO BE SOME CONFUSION AS TO WHAT CONSTITUTES PARTIAL PERFORMANCE IN THIS CASE.

MR. GROSS: DO I NEED TO ADDRESS THAT NOW?

THE COURT: NO.

ANYTHING FURTHER?

MR. SHAPIRO: YES, YOUR HONOR, WITH REGARD TO INSTRUCTION 15.00 GENERALLY DEALING WITH THE ISSUES OF TRADEMARK AND TRADEDRESS INFRINGEMENT. AGAIN, OUR OBJECTION WOULD BE THAT TRADEMARK WAS NOT RAISED IN THE PRETRIAL CONFERENCE ORDER AND THE COMPLAINT, TRADEMARK INFRINGEMENT.

YOUR HONOR, IN THE INSTRUCTION 15.04.02 REGARDING PLAINTIFF'S CLAIM FOR INFRINGEMENT, THE BURDENS OF – SENGOKU'S BURDEN, THERE IS A PROVISION REGARDING – BASICALLY, IT SAYS "BETWEEN A FOREIGN MANUFACTURER AND EXCLUSIVE DISTRIBUTOR, THE LAW PRESUMES THAT THE FOREIGN MANUFACTURER IS THE OWNER OR THE TRADEMARK AND/OR TRADEDRESS UNLESS THERE IS AN AGREEMENT TO THE CONTRARY." WE DISAGREE THAT THAT'S THE LAW.

THE COURT: COUNSEL, THE REASON WE HAVE LOST THIS MORNING IS BECAUSE OF THE ERRONEOUS INSTRUCTIONS THAT WERE SUBMITTED. INSTEAD OF PLAIN, NEUTRAL STATEMENTS OF THE [p. 9] LAW, YOU GET ARGUMENTATIVE INSTRUCTIONS, THEY VERY THING THAT THE COURT INSTRUCTED SHOULD NOT BE DONE.

WHAT WE HAVE PRODUCED HERE IS AS GOOD AS WE CAN DO BASED ON THE ISSUES THAT HAVE BEEN TRIED IN THIS CASE. I'M NOT GOING TO CHANGE ANY OF THEM. AND SO YOU ARE WASTING YOUR TIME. I'M GIVING YOU AN OPPORTUNITY TO SUGGEST WHAT OTHER OBJECTIONS YOU HAVE, BUT DON'T ENGAGE IN ANY ARGUMENT BECAUSE IT IS UNPERSUASIVE.

MR. SHAPIRO: ALL RIGHT, YOUR HONOR.

THIS ISSUE HAS BEEN RAISED PREVIOUSLY IN THE SUMMARY JUDGMENT MOTIONS. ONE OF THE ATTORNEYS HERE, ALAN BLOCK, IF HE COULD JUST ADDRESS THAT ISSUE BRIEFLY.

THE COURT: THE COURT DOES NOT WISH TO HEAR ANY FURTHER ARGUMENT.

MR. SHAPIRO: IN THAT REGARD, WE DID HAVE AN INSTRUCTION – REQUEST AN INSTRUCTION – AND THERE IS A NINTH CIRCUIT INSTRUCTION ON THIS POINT THAT IS NOT – THAT WE BELIEVE SHOULD BE PUT –

THE COURT: WHAT THE INSTRUCTION, COUNSEL. GET TO THE POINT.

MR. SHAPIRO: THE INSTRUCTION, YOUR HONOR, IS TRADEMARK INTEREST, MERCHANT OR DISTRIBUTOR. IT SAYS THAT A MERCHANT, DISTRIBUTOR MAY OWN A TRADEMARK THAT IDENTIFIES PRODUCTS THE MERCHANT DISTRIBUTES, SELLS, EVEN THOUGH THE PRODUCTS ARE MANUFACTURED BY SOMEONE ELSE.

[p. 10] THE COURT: IS THAT A CORRECT STATEMENT OF THE LAW?

MR. SHAPIRO: YES, YOUR HONOR, IT IS. WE WOULD ASK – THAT IS THE NINTH CIRCUIT 15.01.05.

WE WOULD ASK THAT THAT BE INCLUDED.

THE COURT: SOME OF THESE INSTRUCTIONS WERE COVERED IN THE MODIFICATIONS THAT WE HAVE MADE.

HAVE YOU FINISHED?

MR. SHAPIRO: YES, YOUR HONOR. THAT SPECIFIC INSTRUCTION WE WOULD ASK IT BE PLACED INTO THIS TRADEMARK INSTRUCTION.

MR. GROSS: YOUR HONOR, I JUST HAVE ONE SMALL POINT.

YOUR HONOR, IN THE INSTRUCTION 15.04.02, ABOUT HALF WAY DOWN IT BEGINS THE PARAGRAPH, "DEFENDANTS' OWN A FEDERAL REGISTERED TRADEMARK IN THE NAME KEROHEAT. THE PLAINTIFF CONTENDS THAT THIS REGISTRATION SHOULD BE CANCELED BECAUSE DEFENDANT HAD NO RIGHT TO OBTAIN REGISTRATION." WE DON'T HAVE ANY OBJECTION TO YOUR HONOR TRYING TO FRAME THIS IN THE RIGHT WAY, BUT I THINK THAT THE EVIDENCE WE PUT ON TO DATE IS MORE ALONG THE LINES THAT THE DEFENDANT HAD NO RIGHT TO RETAIN THE REGISTRATION, NOT THAT WE'RE CONTESTING THEY [sic] THE RIGHT TO OBTAIN IT WHEN THEY WERE UNDER AGREEMENT.

SO ARE [sic] JUST SUGGESTING THAT THIS IS GOING TO [p. 11] CONFUSE THE JURY BECAUSE WE WERE PUTTING ON EVIDENCE TO SUGGEST THAT WE DIDN'T HAVE ANY OBJECTION TO THEM REGISTERING WHEN THEY HAD IT –

THE COURT: COUNSEL, YOU CAN ARGUE TO THE JURY WHAT YOU WANT THEM TO DO. THAT'S THE PURPOSE OF ARGUMENT. YOU CAN DISCUSS THE ISSUES THAT WERE RAISED AT THE TRIAL AND THAT THE JURY WILL HAVE TO DECIDE REFLECTED IN THESE INSTRUCTIONS.

MR. GROSS: YOUR HONOR, I AM NOT DEBATING YOUR ISSUE OF LAW. I'M SIMPLY SAYING

THIS IS NOT SOMETHING THAT WE HAVE CONTENDED. WE DON'T WANT THEM TO HAVE A MISTAKEN IMPRESSION OF WHAT WE ARE CONTENDING.

THE COURT: WHAT ARE YOUR CONTENDING?

MR. GROSS: YOUR HONOR, IF WE SIMPLY CHANGE THE WORD "OBTAIN" IN THE THIRD LINE TO "RETAIN" AND THEN CONTINUE ON, "PROVE A PREPONDERANCE THAT THE DEFENDANT IMPROPERLY RETAINED THE REGISTRATION," AND THEN HAVE A PERIOD, WE WOULD BE PERFECTLY HAPPY WITH THAT.

THE COURT: YOU ARE NOT CONTENDING THEY HAD NO RIGHT TO OBTAIN THE REGISTRATION?

MR. GROSS: NO, YOUR HONOR. AND WE HAVE NEVER SAID THAT.

THE COURT: YOU ARE SAYING THEY HAVE NO RIGHT TO RETAIN IT?

MR. GROSS: THAT'S ABSOLUTELY CORRECT.

[p. 12] THE COURT: THAT CHANGE THE COURT CAN MAKE.

MR. GROSS: THAT'S THE ONLY COMMENT I HAVE, YOUR HONOR.

THANK YOU VERY MUCH.

THE COURT: HOW ABOUT THIS VERDICT FORM. WE HAVE ALREADY DISCUSSED THAT.

MR. WEIR: YES, YOUR HONOR.

THE COURT: YOU HAVE NO OBJECTION TO THE VERDICT FORM?

MR. GROSS: NO, YOUR HONOR.

THE COURT: WE WILL BRING THE JURY DOWN AND THE PLAINTIFF WILL PRESENT HIS ARGUMENT.

COUNSEL, I TOLD YOU, YOU HAVE AN HOUR. YOU CAN SAVE SOME OF THAT FOR REBUTTAL.

APPENDIX R

The plaintiff, Sengoku Works, Ltd., seeks damages against the defendants, RMC International, Ltd., Joseph Malaga and Michael Resmo, for trademark and trade dress infringement. The defendants contend that the trademark and trade dress belong to the defendants, and therefore denies infringing the trademark and trade dress. To help you understand the evidence that will be presented in this case, I will explain some of the legal terms you will hear during this trial.

A trademark is a word, a name, a symbol, a device, or a combination of them that indicates the source of goods or services. A trade dress is the overall appearance of a product that, in certain circumstances, can be protected because the appearance is closely identified with the owner's products. The owner of a trademark or trade dress has the right to exclude others from using that trademark or trade dress.

A person acquires the right to exclude others from using a trademark or trade dress by being the first to use it in the marketplace. Rights in a trademark or trade dress are obtained only through commercial use of the trademark or trade dress. The owner of a trademark or trade dress has the right to exclude from using the trademark or trade dress others unless it has been abandoned.

Once the owner of a trademark has obtained the right to exclude others from using the trademark, the owner may obtain a certificate of registration issued by the United States Patent and Trademark Office. Thereafter, when the owner brings an action for infringement, the owner may rely solely on the registration certificate to prove that the owner has the right to exclude others from

using the trademark in connection with the type of goods or services specified in the certificate.

In this case, the plaintiff, Sangoku Works, Ltd., contends that the defendants, RMC International, Ltd., Joseph Malaga and Michael Reseo, have infringed plaintiff's trademark and/or trade dress. The plaintiff has the burden of proving by a preponderance of the evidence that plaintiff is the owner of a valid trademark/trade dress and that the defendants infringed that trademark/trade dress.

APPENDIX S

* * *

name of the distributing agent), in conjunction with a manufacturer's mark, would not affect the manufacturer's ownership of the mark. However, a distributor may adopt and own a mark of its own, and may use that mark either alone or in addition to a manufacturer's mark, on goods which the distributor moves in trade. *See* TMEP § 1201.06(a).

1201.06 Special Situations Requiring Inquiry into Ownership

1201.06(a) Applicant Is Merely Distributor or Importer

A distributor, importer or other distributing agent of the goods of a manufacturer or producer does not acquire right of ownership in the manufacturer's or producer's mark merely by moving the goods in trade. *In re Bee Pollen from England Ltd.*, 219 USPQ 163 (TTAB 1983); *Audioson Vertriebs – G.m.b.H. v. Kirksaeter Audiosonics, Inc.*, 196 USPQ 453 (TTAB 1977); *Jean D'Albret v. Henkel-Khasana G.m.b.H.*, 185 USPQ 317 (TTAB 1975); *In re Lettman*, 183 USPQ 369 (TTAB 1974); *Bakker v. Steel Nurse of America Inc.*, 176 USPQ 447 (TTAB 1972). With the exception of the situations set forth below, if the applicant merely distributes or imports goods for the owner of the mark, registration must be refused under § 1 of the Trademark Act, 15 U.S.C. § 1051.

A distributor or importer for a manufacturer or producer that owns the mark can register the mark only under the following circumstances.

(1) If a parent and wholly-owned subsidiary relationship exists between the distributor and the manufacturer, the applicant's statement that such a relationship exists disposes of an ownership issue. *See* TMEP § 1201.03(c).

(2) If an applicant is the United States importer or distribution agent for a foreign manufacturer, the applicant can register the foreign manufacturer's mark in the United States, provided that the applicant submits one of the following:

(a) written consent from the owner of the mark to registration in the applicant's name, or

(b) written agreement or acknowledgment between the parties that the importer or distributor is the owner of the mark in the United States, or

(c) an assignment (or true copy) to the applicant of the owner's rights in the mark as to the United States together with the business and good will appurtenant thereto.

See In re Geo. J. Ball, Inc., 153 USPQ 426 (TTAB 1967).

1201.06(b) Goods Manufactured in a Country Other than Where Applicant Is Located

Specimens of use may indicate that the goods are manufactured in a country other than the applicant's home country. For example, specimens submitted by an

applicant that is not located in Japan or Switzerland may indicate that the goods are "made in Japan" or "manufactured in Switzerland." In such cases, it is possible that the mark is owned by the foreign manufacturer and that the applicant is only an importer or distributor.

If it is clear from wording on the specimens or information of record or otherwise that the applicant is not merely the importer of the goods but is the owner of the mark, and that the notation means that the goods are manufactured or produced by or for the applicant in the country indicated, no inquiry need be made.

If this is not clear from the record, the examining attorney must inquire whether or not the applicant is the manufacturer or producer of the goods and, if the applicant is not, whether or not the mark is used by the foreign manufacturer or producer of the goods as that manufacturer or producer of the goods as that manufacturer's or producer of the goods as that manufacturer's or producer's mark. If the foreign entity does use the mark as owner, registration must be refused under § 1, 15 U.S.C. § 1051, unless registration in the United States by the applicant is supported by the applicant's submission of one of the documents listed in TMEP § 1201.06(a).

1201.06(c) Services Rendered in a Country Other than Where Applicant Is Located

A service mark may be owned by one party in the United States and by another in a foreign country. If the foreign owner does not provide any services in the United States, the applicant's claim of ownership of the mark in the United States is not contradicted. A statement

that the foreign entity does not own the mark or provide the services in the United States may resolve an ownership issue. Additional evidence such as a written acknowledgment from the foreign owner that the applicant is the owner of the mark in the United States may be required if specimens of use or other information of record

* * *

No. 96-1294

FILED
MAY 27 1997
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IN THE

Supreme Court of the United States

OCTOBER TERM, 1996

RMC INTERNATIONAL, LTD., a corporation,
MICHAEL RESMO, an individual,
JOSEPH MALAGA, an individual,
Petitioners,

vs.

SENGOKU WORKS, LTD., a corporation,
Respondent.

PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

PETITIONERS' REPLY BRIEF

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PETITIONERS' REPLY BRIEF

I. Protecting Product Shapes as Trademarks Under the Lanham Act Violates Art. I, § 8, cl. 8 of the Constitution

Sengoku misstates the issues and arguments raised in RMC's Petition. The fundamental Constitutional issue raised by RMC's Petition is whether granting trademark protection under § 43(a) of the Lanham Act over the shape of a product in the public domain violates Article I, § 8, cl. 8 of the Constitution. This is an issue of national importance that effects the efficient operation of the federal patent system and the maintenance of a free and competitive economy as envisioned by the Constitution.

Sengoku does not dispute that the shape of the kerosene heater that it claims is its exclusive trademark was in the public domain and that the same functional features that allegedly make up its product shape trademark were used by others, in the same combination, prior to Sengoku. The Lanham Act cannot be interpreted as giving trademark rights to public domain product shapes, because to do so would remove information from the public domain and grant perpetual protection to a device too lacking in novelty to merit patent protection, in violation of Art. I, § 8, cl. 8.

Sengoku argues that this case is moot because RMC is selling a new *Dyna-Glo* heater (the "*Dyna-Glo* (III)" heater) which the District Court approved. The argument is both improper and wrong. The *Dyna-Glo* (III) heater was not designed until after trial and is not in evidence, and therefore it is improper for Sengoku to even raise the heater on appeal. *See, Garcia v. American Marine Corp.*, 432

F.2d 6, 8 (5th Cir. 1970) ("It is fundamental that facts not presented at trial may not be asserted on appeal.")

More importantly, Sengoku misstates the features of the *Dyna-Glo* (III) heater. The "*Dyna-Glo* (III)" heater has a curved top. (This can be seen from a review of the drawing of the heater attached as Appendix N to Sengoku's brief in opposition.) Curving the top served no function, added to the cost of the heater, and made the heater more difficult to manufacture. RMC added the curved top after the District Court had rejected every other rectangular (four straight sides) heater design.[1]

RMC also added a false panel to the left side solely for the purpose of increasing the heater's size and giving a centered look to the burner chamber so that the heater would not have the offset to the left appearance that was allegedly a part of Sengoku's trademark. RMC also redesigned the shut-off mechanism from a lever to a push button. To change to a push button shut-off switch, RMC had to redesign the internal shut-off mechanism. Thus, the *Dyna-Glo* (III) heater is not mechanically the same, and

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[1] The "*Dyna-Glo* (III)" heater is actually the fourth generation RMC heater. The first heater was the Wooshin manufactured KeroHeat heater. (RMC Pet. App. G2.) The second was the redesigned *Dyna-Glo* heater ("*Dyna-Glo* (I)") that was the subject of the contempt motion, trial, and appeal. (RMC Pet. App. G3.) After the District Court's contempt ruling, RMC attempted again to design a heater that would not violate the injunction ("*Dyna-Glo* (II)"). RMC changed the color scheme and graphics, the shape of the switches, the shut off mechanism from a lever to a push button, and extended the grill all the way across the front of the heater. This heater was also not in evidence at trial. Since the District Court's injunction was vague, RMC moved for "judicial approval" of *Dyna-Glo* (II). Sengoku argued that *Dyna-Glo* (II) infringed Sengoku's product shape trademark rights. The District Court ruled that RMC could not sell the *Dyna-Glo* (II) heater.

does not have the same functional features, as the Sengoku manufactured heater at issue. The *Dyna-Glo* (III) heater is more costly and difficult to manufacture and ship. If the heater had been in evidence at trial, it would only have established the functionality of the heater that Sengoku now claims is its exclusive trademark.[2]

The issue is not whether another heater can be designed regardless of cost, but whether a heater design that was in the public domain can be appropriated as someone's exclusive trademark. This Court's decisions in *Sears*, *Compco*, and *Bonito Boats* are relevant because they addressed the purpose and policy underlying Art. I, § 8, cl. 8 and the federal patent statutes which preserve the public's right to copy and use that which is in the public domain. *Sears* and *Compco* are particularly relevant because they found that the policy underlying Art. I, § 8, cl. 8 and the federal patent laws overrides the States' ability to prevent confusion by expanding unfair competition law to protect product shapes. *Sears, Roebuck & Co. v. Stiffel Company*, 376 U.S. 225, 231-32 (1964); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 237 (1964).

The Lanham Act must be interpreted consistently with the limitations placed on Congress by Art. I, § 8, cl. 8

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[2] It is worth noting that, in spite of these changes, Sengoku nevertheless contended that the *Dyna-Glo* (III) heater infringed Sengoku's product shape trademark rights and opposed RMC's motion for judicial approval of the design. In other words, if Sengoku had its way, RMC would not be selling the *Dyna-Glo* (III) heater in spite of all of its differences. This not only demonstrates Sengoku's ever changing position on what constitutes its product shape trademark and its scope, but the uncertainty that results when trademark protection is given to product shapes without the "careful criteria of patentablility developed by Congress over the last 200 years." *Bonito Boats*, 489 U.S. at 156.

of the Constitution, and thus the Lanham Act cannot be interpreted to give trademark protection to a public domain product shape. To grant trademark protection to a public domain product shape under the Lanham Act would create the very same irreconcilable conflict with the federal patent laws that this Court found intolerable with respect to the States in *Sears* and *Compco*. (See, RMC's Pet. at 12-15.)

Sengoku relies on the Seventh Circuit's decisions in *Kohler Co. v. Moen Inc.*, 12 F.3d 632, 643 (7th Cir. 1993) and *W.T. Rogers Co., Inc. v. Keene*, 778 F.2d 334, 337 (7th Cir. 1985). Both cases conclude that there is no conflict between the federal patent laws and granting "perpetual trademark" protection to product shapes under the Lanham Act because such protection requires proof of secondary meaning and a likelihood of confusion. However, this Court expressly held in *Sears*, 376 U.S. at 232 and *Compco*, 376 U.S. at 238, that proof of secondary meaning or likelihood of confusion was not sufficient to overcome the objectives of Art. I, § 8, cl. 8. If proof of likelihood of confusion or secondary meaning eliminates the conflict with the Constitution and the patent laws, then state unfair competition law, which also requires the same proof, could also protect product shapes, contrary to this Court's rulings in *Sears* and *Compco*. The Ninth Circuit's decision in *Clamp Mfg. Co., Inc. v. Enco Mfg. Co., Inc.*, 870 F.2d 512 (9th Cir. 1989) cited by Sengoku conflicts with this Court's decision in *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 59 S.Ct. 109, 83 L.Ed. 73 (1938) in that it protected as a trademark the shape of a product that was the subject of an expired utility patent. The *Clamp* decision only demonstrates the current conflicts in the case law.

The better view of the law was expressed by the Tenth Circuit in *Vorando Air Circulation Systems, Inc. v.*

Duracraft Corp., 58 F.3d 1498 (10th Cir. 1995) and by Judge Cudahy in his dissent in *Kohler Co. v. Moen, Inc.*, 12 F.3d 632, 644-51 (7th Cir. 1993). Both Judge Cudahy and the Tenth Circuit concluded that a conflict does arise between the Constitution, federal patent laws and the Lanham Act when the Lanham Act is interpreted to give trademark protection to product shapes. Consistent with this Court's decisions in *Sears* and *Compco*, both concluded that the Constitutional policy of preserving the public's right to free access to information in the public domain prohibits protecting product shapes as trademarks.[3]

This is not a hypothetical case. In this case Sengoku obtained exclusive rights to use the shape of a kerosene heater that was once in the public domain. Sengoku received an injunction, $870,000 in damages and attorneys' fees and caused RMC to recall over $1,000,000 worth of heaters. These are the same remedies available to patent owners. Sengoku obtained these remedies without meeting the patent law requirements of nonobviousness, novelty, disclosure, and notice. The conflict between the Constitution, patent laws and the Circuit Courts' interpretation of the Lanham Act that is the basis of RMC's Petition is that Sengoku has received damages, attorneys fees, and an injunction arising out of RMC's use of a heater

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[3] Sengoku appears to argue that this Court in *Bonito Boats* held that product shapes could be protected as "trade dress." (BIO at 7.) This was most clearly not the decision in *Bonito Boats*. In *Bonito Boats*, the Court expressly reaffirmed the reasoning of *Sears* and *Compco* that "efficient operation of the federal patent system depends upon substantially free trade in publicly known, unpatented design and utilitarian conceptions". *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 156 (1989). When the Court in *Bonito Boats* used the term "trade dress," it was referring to "distinctive dress in the packaging of goods." *Id.* at 154.

design that the Constitution and patent laws have placed in the public domain, and should be free for anyone to use.[4]

II. Protecting Functional Product Features as a Part of a Combination Trademark Violates the Functionality Doctrine

Sengoku does not address the functionality issue raised in RMC's petition. The Ninth Circuit concluded that the shape of the heater at issue was functional. The error in the Ninth Circuit's decision is that after having concluded that the shape of the heater was functional, the Ninth Circuit nevertheless held that the functional features were protectable as a part of the overall trade dress of the product.[5] This view conflicts with the view of the Federal Circuit and the Restatement of Unfair Competition. Sengoku does not discuss the Ninth Circuit's finding of functionality, nor does it discuss the conflict in law that forms the basis of RMC's petition.

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[4] Sengoku's arguments regarding RMC's packaging are irrelevant and mistaken. Sengoku received injunctive relief, a product recall, and damages based on its product shape trademark claim. Further, Sengoku has apparently forgotten that the majority of RMC's radiant heaters were sold in the packaging of RMC's private label customer Lowe's. Sengoku has never contended that the Lowe's packaging infringes any of Sengoku's alleged rights. RMC repackaged the majority of the remaining radiant heaters in new packaging, which Sengoku has never contended infringed its alleged rights.

[5] Sengoku does not dispute that it has changed the definition of its product shape trademark throughout the proceedings below. (See RMC's Petition at pp. 6-8.) Without explanation, Sengoku has apparently come full circle and included color as a part of its alleged trademark in its brief in opposition. (Sengoku's BIO at 13.)

It is the functionality of the Sengoku manufactured heater that is at issue. The functionality doctrine ensures that cost effective and efficient designs remain free for all to use. The functionality doctrine recognizes that there may very well be other designs that are more costly or less efficient to manufacture. The fact that there may be other more costly designs does not mean that the cost effective functional design can be appropriated as a trademark. The functionality doctrine would mean nothing if cost effective designs could be appropriated merely because a more costly design could be made. Thus, the fact that RMC can manufacture a more costly heater because it has been enjoined from making a less costly design does not make the less costly design non-functional.

The Ninth Circuit's decision held that the functional features were protectable because they were combined with non functional features such as paint or graphics. The right to copy functional designs would be stripped of all meaning if overall functional designs were accorded trademark protection because they included a few arbitrary and nonfunctional features. *Textron, Inc. v. U.S. International Trade Commission*, 753 F.2d 1019, 1025 (Fed. Cir. 1985). RMC preserved the issue of whether the shape of Sengoku's heater was functional as evidenced by the fact that Ninth Circuit considered and decided this very issue.

A. Functional Features Cannot be Used to Establish Secondary Meaning and Likelihood of Confusion

Sengoku does not address whether RMC's use of features the Ninth Circuit found, and Sengoku admitted, were functional could be used to establish secondary meaning or likelihood of confusion. Sengoku admits that

the witnesses from its U.S. distributor (who Sengoku refers to as "heater industry witnesses") testified that they could distinguish heaters based on their "shape." When the Ninth Circuit found the shape functional, that testimony could not be used to establish secondary meaning or likelihood of confusion..

Copying cannot support a finding of a likelihood of confusion or secondary meaning when the copied features are functional. The functionality doctrine guarantees that functional designs can be copied by anyone even though the functional feature has acquired a secondary meaning or its use by another creates a likelihood of confusion. The functionality doctrine would be rendered meaningless if the very thing the doctrine preserves can be used to establish trademark rights.[6] The Ninth Circuit found the shape

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[6] There is considerable dispute among the Circuits over whether copying can be used to infer secondary meaning and a likelihood of confusion. (RMC's Petition at 17, n. 5.) Since RMC filed its petition, this Court issued its decision in *Warner Jenkinson Co., Inc. v. Hilton Davis Chemical Co.*, ___ U.S. ___, 117 S. Ct. 1040, 1052 (1997). In that case, the Court held that copying could not be used to limit the application of the doctrine of equivalents in patent infringement cases because copying could have been done for innocent reasons. The same rationale is applicable to product shape cases. Copying could have been for the permissible reason of using a functional design or an unprotectable public domain design. By the same token, the use of emotional terms such as "counterfeit" and "knock-off" is unwarranted, because such conclusory labels are contrary to the right to copy that the Constitution and the federal patent laws provide. *Bonito Boats*, 489 U.S. at 164 ("Appending the conclusionary label 'unscrupulous' to such competitive behavior merely endorses a policy judgment which the patent laws do not leave the States free to make. Where an item in general circulation is unprotected by patent, '[r]eproduction of a functional attribute is legitimate competitive activity.'")

functional and that RMC could use it, but at the same time held that RMC's use of the shape evidenced secondary meaning. If RMC was free to use the functional features, then the judgment should have been reversed because the functional features were the only common features used by the RMC heaters.

III. The Trademark Ownership Instruction Conflicted With the Statutory Presumption of Ownership

Sengoku does not dispute the clear statutory language of §§ 1057 (b) and 1115(a) or that RMC had a registration for the *KeroHeat* trademark in both the U.S. and Japan. Sengoku does not deny having admitted in writing, that *KeroHeat* was RMC's private label brand name. The trademark ownership instruction did not instruct the jury to give the presumption of ownership to RMC. Instead, the instruction gave the presumption of ownership to Sengoku, the manufacturer.

The portion of the jury instructions that Sengoku cites contained general background information on trademarks and did not state that RMC was the "presumed owner of the mark." The trademark ownership instruction appeared later in the jury instructions and in the context of the ownership issue instructed the jury that the manufacturer was the presumed owner, not RMC, the owner of the federal registration. (RMC's Pet. App. M1-M3.) Congress' attempt to create a uniform federal trademark law is frustrated when the Courts ignore the presumption expressly provided for in the statute.[7]

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[7] Sengoku's reliance on the TMEP is misplaced. The sections that Sengoku cites do not relate to a dealer's right in its own private label brand name. The law has long recognized a (cont'd . . .)

Sengoku's argument that RMC did not preserve its objections to the trademark ownership instruction was made to the Ninth Circuit and rejected, as evidenced by the fact that the Court considered the issue. The record shows that RMC expressly objected to the instruction at the instruction conference. (See, BIO App.at Q5 first ¶.)

CONCLUSION

The issues raised by this Petition are of national importance. They are important to the maintenance of a free and competitive economy and efficient operation of the federal patent system. The lower courts are creating a body of law that conflicts with the Constitution, the federal patent statutes and the decisions of this Court. The result is a confused body of law wherein one rule guarantees a right to copy that which another rule protects. The Court should grant this petition to address and resolve this conflict.

Respectfully submitted,

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dealers right to its private label brand name. *Menendez v. Holt*, 128 U.S. 514, 32 L.Ed. 526, 9 S. Ct. 143, 144 (1888) 2 McCarthy, *Trademarks And Unfair Competition*, Section 16.46[1] at 16-63 (1996) ("A plethora of decisions have followed *Menendez* in upholding the validity of a dealer's mark.")